FOREIGN AFFAIRS

AN AMERICAN QVARTERLY REVIEW

INDEX

VOLUME 12

Nos. 1-4

October 1933 - July 1934

FOREIGN AFFAIRS
45 EAST 65TH STREET
New York

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FOREIGN AFFAIRS

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THE "NEW SPIRIT" AND ITS CRITICS

By Newton D. Baker

IN 1754 the long-heralded philosophical works of Lord Bolingbroke were published. To Edmund Burke they constituted an effort to exclude God from his universe as a wholly unnecessary phenomenon, and he composed "A Vindication of Natural Society" as an indignant protest. The form of this protest was a seriously argued examination of all merely human institutions, with a view to demonstrating "that every endeavor which the art and policy of mankind has used from the beginning of the world until this day, in order to relieve or cure natural ills, has only served to introduce new mischiefs or to aggravate or inflame the old." This thesis, set forth with stately logic and illustrated by critical examinations in all the fields of political activity, leads the reader, with solemn power, to the conviction that all human efforts to improve the world in which we live are necessarily fruitless and that the only true state of happiness for mankind is that Edenic condition in which our first parents were before wisdom, in the form of a serpent, had beguiled them into a reliance upon mere human powers for improvement.

But, of course, Burke was playful and was imposing upon us with sham artillery. By using Bolingbroke's method, he destroys his conclusion and then proves that man, too, is worse than useless in the universe in which Bolingbroke had sought to place him as the dominant and supreme if not solitary figure. Burke knew, as we know when we read his paper, that he was exemplifying one of those common states of mind which make progress difficult. The fact is that all efforts to solve human problems are beset by unidentic twin evils. On the one hand, we have the enthusiast who declines to see difficulties, is indifferent to the lessons of history, takes no account of the deep ruts worn by mental habit and, by expecting too much, either in speed or

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achievement, takes a flight from reality and accomplishes less than the possible. On the other, we have the pessimist, his ranks all too often recruited by disillusioned enthusiasts. Starting with an assumption of human incorrigibility, he soon despairs of any progress in a tough and obdurate world and looks with sour disfavor upon those who would disturb any arrangement which has been found to ease the galling of a burden which it is the inescapable lot of mankind to carry. This acceptance of failure as a guide for future conduct is easily fortified by a selective reading of history, and Burke's "Vindication of Natural Society," if read without the humor which underlies it, is a classical illustration of how fiercely learned and at the same time unwise this temper can be.

Somewhere between these temperamental extremes lies the great mass of mankind; neither credulous nor incredulous, neither foolishly hopeful nor foolishly hopeless, aware of the fact that progress is not a steadily ascending spiral but a jagged thing on a chart, with peaks and valleys and yet constantly rising, as is shown by the median line in the diagram which marks increasing comfort, security, beauty and nobility in the life of man. This great mass of people, unnumbed by learning, are yet aware that old abuses have been swept away, tyrannies over the body and spirit of man abolished, superstitions and fears dissipated, and that all this has come about by experimental processes, many of which were failures, all of which were assailed, and only some of which fruited in lasting good. It may well be, therefore, that "the new spirit" has been greeted with too much enthusiasm by some of its proponents; but it is certainly true that the emanations of that new spirit, in practical efforts to establish a better order in international relations, have been too quickly distrusted and condemned by those who stand at the other extreme in philosophical outlook.

In the course of his "Vindication of Natural Society," Burke examines war as one of the results of man's effort at political organization. He says: "The first accounts we have of mankind are but so many accounts of their butcheries. All empires have been cemented in blood, and in these early periods when the races of mankind first began to form themselves into parties and combinations, the first effect of the combination and, indeed, the thing for which it seems purposely formed and best calculated, was their mutual destruction." Following this, he makes what he

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calls "a small calculation" of the number of people done to death by war as a political institution, from the earliest times to the middle of the eighteenth century, and comes to the serious conclusion that the number is not less than thirty-five billion human beings. To this number no doubt would have to be added indirect losses from epidemics and famines resulting from wars. These ragings of the heathen and more refined slaughterings among the civilized had taken place with undiminished ferocity, in spite of diplomacy, resident ambassadorial representation, and all manner of other efforts, by way of offensive and defensive alliances and bargains, which from time to time constituted the mechanism of international relations. Since Burke made this estimate the world has gone steadily on, increasing the possibility of large-scale mobilization and wholesale destruction, until in our own day we have had actual world war with losses counted in tens of millions and dislocations of normal life world-wide in extent and covering decades—how many we do not know—in their duration.

Thus war has presented historically, and still presents, the major catastrophe in human relations. In its modern forms it challenges the very continuance of organized society. It is no longer fought by selected champions but engages the energies of whole peoples. Its stage is no longer some remote and confined battlefield but the whole area of the combatant nations. It is fought in three dimensions and with weapons which, like Satan's dart, seize us with "strange terrors, pangs unfelt before." The consequences of modern wars, we have now learned, threaten an integrated world with the complete dissolution of the foundations upon which organized and expanding life must rest. Whether history is encouraging or discouraging, we cannot contemplate the World War, and the world which has resulted from it, without realizing that no spirit can be too bold which refuses to accept war as a constantly recurring menace and that no experiment can be too rash, however much the books on international law and history may creak on their shelves, if its intention is to rescue the race from this threat of destruction. The time has come for somebody to be "a fool in Christ" if necessary.

Clearly, if there is any substitute for war it must lie in the pacific settlement of controversies out of which wars grow. Throughout the long period of recorded history, efforts of one sort or another to establish the means of such pacific settlements have been made. They have, however, been sporadic rather than

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consecutive, and for the most part were responses to war weariness, religious enthusiasm, the brief ascendency of a philosophical spirit, or a change in political policy in a dominant state. Writers on international law have, since Vattel, given the subject some attention. But until recent years the discussion of pacific settlements usually revolved around the possibility of a substitution of arbitration or adjudication for an appeal to arms; and, of course, both of these agencies take hold of a full-grown conflict, and the likelihood of their being used is diminished by the fact that passion has already been engendered before they can be appealed to. They are envisaged, frankly, as alternatives to war rather than as anticipatory adjusters of incipient controversies in which the seeds of conflict have only begun to germinate. For the most part, statesmen have preferred to try one or the other of two policies to preserve the peace of the world: either a Roman Peace, dictated by a single authoritative state, strong enough to impose its will upon the rest of the world, or a balance of power, which seeks to divide the world into an equipoise by systems of alliances and understandings. Both of these types of effort, repeated under every variation of time and circumstance, have failed. The spirit of nationality has always been too strong to endure an imposed peace. Balances of power, being organized with war in mind, become unstable as one side or the other feels that it has acquired a momentary supremacy or has detached from the other side and annexed to itself an ally, thus putting itself in a position to overpower its adversaries and accomplish certain long-cherished political objectives of its own group.

As against these policies, based frankly upon power, the intermittent suggestion of securing pacific settlement by using among nations the agencies worked out in the domestic policy of civilized states, secured a hearing with difficulty. One obvious reason for this lies in the fact that the people who made wars and resorted to them to accomplish their political objectives were not the people who suffered in wars, while the people who did suffer and pay the price had no voice in the councils where the extent of their sacrifices might be weighed against the advantage of a political policy which the governing class sought to pursue. King William of Prussia had a violent quarrel with Bismarck, after the humiliation of Austria, because of Bismarck's unwillingness to annex Austrian territory from the defeated enemy. The King said to him that it had been the policy of his House to enlarge Prussia

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and that each of his ancestors had annexed territory as the result of his conquests. The whole diplomatic history of the world has revolved around the dreams of empire builders; and the historic policies of states, lying buried in the archives of their foreign offices, have contemplated conquest and acquisitions based on opportunities, as they might arise, for advantageous wars. Sometimes these policies have been purely defensive, as for instance the interest of England in Persia and Afghanistan to protect the Indian frontier. Sometimes they are aggressive, like the policy which has for centuries dictated to the Russian mind the dominance of Asia and an outlet through the Bosporus to the Mediterranean. Under the old order, each new foreign minister came to his task with orders to follow the chart. Necessity might require gestures, opportunity might have to be waited for; but all concessions and all combinations looked to the ultimate accomplishment of objectives which, though often undeclared and unexposed, were the final and supreme concern of the state. As these policies were hopelessly irreconcilable, the relations of the nations which entertained them were necessarily transitory and unstable. That this picture is not fanciful is illustrated by any realistic view of the relations of modern Europe. Bismarck's Reinsurance Treaty, Caprivi's failure to renew it, the hesitance of Germany as between friendship with England and friendship with Russia, the effort to build a European anti-English alliance, these and a hundred other episodes in modern European diplomatic history evidence the uneasy tension of nationalistic policies against the restraints of world order and world peace. Even the United States was captured by "manifest destiny" and made overnight into an Asiatic power by exactly the sort of impulse which has led Russia and Japan through a long period of years to look with acquiring eyes on Manchuria and Chosen.

The existence of these forces, controlled only by considerations of national advantage, has always been perfectly well known, but the cost of leaving them so controlled has only gradually come to be realized. The scientific spirit, which has given us in the realm of material things the courage to look unpleasant facts in the face and to follow truth wherever it may lead, has, in recent years, begun increasingly to make itself felt in considerations of the social and political relations of men, and this has given both new dignity to the speculations of philosophers and new hopefulness to the efforts of statesmen in the international field. If wider knowl-

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edge and franker thinking have bred a new spirit which by searching has found common interests in the preservation of peace that are of higher value than the ruthless pursuit of national objectives, we may be permitted to hope that the moral equivalent of war, if not at hand, is at least not so remote as it was when these matters of life and death were held to be games for princes to play at and, like the wills of princes, not subject to moral restraint. Surely, too, the triumphs of science in the material world encourage us to do some laboratory work with the human spirit. A peaceful world would have been less amazing to George Washington than wireless telegraphy. We must not think too well of atoms at the expense of thinking too ill of men.

From its beginnings the United States has had an attitude favoring the pacific settlement of international controversies. This has been manifested particularly in our attitude toward arbitration. But we early began to advocate the addition of adjudication to the means of settlement. Long before the World War, American public opinion had reached the settled conviction that coöperative international action was necessary for the preservation of peace, and but for the controversy of prestige between the Senate and the President it seems likely that an enlightened sentiment against war would have made the United States a partner, if not the leader, in widespread arrangements — perhaps compulsory in character — for pacific settlements.

Theodore Roosevelt was certainly one of the most combative and valiant of modern Americans. Yet, in accepting the Nobel Peace Prize, he said in 1910:

> Finally, it would be a master stroke if those Great Powers honestly bent on peace would form a league of peace, not only to keep the peace among themselves, but to prevent, by force if necessary, its being broken by others. The supreme difficulty in connection with developing the peace work of The Hague arises from the lack of any executive power, of any police power to enforce the decrees of the court. In any community of any size the authority of the courts rests upon actual or potential force; on the existence of a police, or on the knowledge that the able-bodied men of the country are both ready and willing to see that the decrees of judicial and legislative bodies are put into effect. In new and wild communities where there is violence, an honest man must protect himself; and until other means of securing his safety are devised, it is both foolish and wicked to persuade him to surrender his arms while the men who are dangerous to the community retain theirs. He should not renounce the right to protect himself by his own efforts until the community is so organized that it can effectively relieve the individual of the duty of putting down violence. So it is with nations. Each nation must keep well prepared to defend

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itself until the establishment of some form of international police power, competent and willing to prevent violence as between nations. As things are now, such power to command peace throughout the world could best be assured by some combination between those great nations which sincerely desire peace and have no thought themselves of committing aggressions. The combination might at first be only to secure peace within certain definite limits and certain definite conditions; but the ruler or statesman who should bring about such a combination would have earned his place in history for all time and his title to the gratitude of all mankind.

That this was not a mere rhetorical flourish by a retired President was shortly made manifest, for about a month later, by joint resolution, the Congress of the United States authorized the President to appoint a commission in relation to universal peace, its duty being to consider the expediency of utilizing existing international agencies for the purpose of limiting the armaments of the nations of the world by international agreement; and it was especially charged to consider and report upon any other means "to lessen the probabilities of war."

After the Great War had broken upon the world, the League to Enforce Peace enlisted in support of its program the highest types of Americans, men trained in the practical administration of affairs, and the idea of the League was universally acclaimed as perhaps the greatest gift of the American spirit to a world forced to admit the complete breakdown of its system of international relations. It was not a plan to deal with the existing war, but to deal with the future after that war.

Later, of course, we ourselves became involved in the conflict. But America's attitude toward war remained unchanged and is best illustrated by the fact that the two slogans which most profoundly affected the American mind in all those years were first, "He kept us out of war;" and second, "This is a war to end war." It has become the fashion nowadays to be cynical about the latter of these slogans and to say that America's participation was in fact no crusade in behalf of peace, but rather the pursuit of any one of a half-dozen sordid objectives which have come as afterthoughts of partisan rancor; but no one who lived through the days of America's participation can fail still to feel the thrill and exaltation which we had then from the belief that we were unselfish and fought both for a just and a permanent peace. And the soldiers of a country which had not denied knowledge to its citizens died on French battlefields believing that they were contributing their lives to the cause of peace. Since the end of the

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war, the world has been seeking with quickened zeal the means of pacific settlement. If some of these means in the future turn out to be frail reliances, America's background requires that we should exercise toward them, in their hour of trial, a great charity of judgment and extend to the effort to improve them and use them a spirit of sympathetic coöperation.

What, then, is the new spirit, what is its approach to the problem of pacific settlement, and what agencies has it established, experimental or otherwise, to accomplish its purpose? Perhaps it is enough to say that the new spirit is an awakened conscience, chastened by experience, informed by research, and driven by the necessity of finding a solution for the problem presented by man's most destructive enemy. The principles underlying the agencies so far established or suggested are principally four — adjudication, arbitration, conciliation, and conference.

The World Court is the embodiment of the first of these. As we have already seen, it is equipped to deal only with matured controversies, and of these, only those which lie within the field of legal rights. It can interpret and apply treaties which define, by contract, the obligations which the high contracting parties are willing to assume toward each other. To a more limited extent it can determine rights upon generally accepted principles of law, and it may be expected that, as time goes on, larger areas of jurisdiction will be conceded to it as confidence in its wisdom and disinterestedness grows. It has not been and ought not now to be given any jurisdiction over political questions. Whether it should ever be given such jurisdiction is a profitless speculation. Our own Supreme Court at the beginning moved with hesitant steps and slow, and in an early case its judgment was flouted by a State in the Union, so that its contemporary critics foresaw its early dissolution. It was in that spirit that the judgment of the World Court in the Anschluss case was assailed until John W. Davis, in a dispassionate and irresistible paper,[1] demonstrated that the Court had acted judicially upon questions of intricacy and difficulty, and had reached a judgment about which conflict of opinion was possible but with the weight of argument strongly with the judgment of the Court. But with the years our Supreme Court has been tried in the fire of fierce contests and has acquired finality for its judgments based upon unshakable confidence in its wisdom and integrity. The controversies which our Supreme

[1] *Atlantic Monthly*, January 1932.

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Court now decides are such as in Europe cause general mobilizations and marching armies. In the so-called Chicago Drainage Canal case, the plaintiff State, Wisconsin, and the States associated with it in interest aggregated a population of thirty-nine millions, while on the other side were arrayed Illinois and the States of the Mississippi Valley with an aggregate population of twenty-two millions. The issue was believed on both sides to have vital economic implications. Yet it was argued, determined, and the judgment accepted, without any emotional outburst due to wounded pride or loss of prestige. In like manner the judgments of the World Court will come to have authority in great matters. This precedent of our own Supreme Court in adjudicating controversies among forty-eight sovereign States makes the idea of a world court peculiarly congenial to our mode of thought, as is evidenced by the practically unanimous judgment of the American people outside of the Senate in favor of adhesion to its protocol. Even in the Senate, where the appetite for reservations and interpretations is as yet unsatisfied, the sentiment is practically unanimous for a court, even on the part of those who are critical of this one.

It would be idle to set out again the extent to which the World Court as now constituted is an American institution, but it is difficult for an American lawyer to check an expression of his pride that at The Hague conference and elsewhere this great idea was exploited as an expression of American confidence in the supremacy of law and the efficacy of justice, and even more difficult for him to restrain an exclamation of grateful admiration for his countryman, Elihu Root, whose services in connection with the Court dignify the profession of which he is the leader as they nobly express the political philosophy of the people for whom he spoke.

But useful as is the function of the Court, its limitations are obvious. It must sit at the door of its tent until the controversy is brought to it. It may not anticipate controversies, and especially it may not deal with political and economic questions. And it is out of these latter that wars are likely to arise. As a part of the modern peace machinery the World Court is indispensable, but it is probable that the very nature of adjudication has retarded the acceptance of the other agencies which have been suggested for use in the field which the Court cannot cover. Conciliation and conference are more remote and less tangible in their operation.

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When they succeed, they are not known to have averted tragedies, and, like the undisclosed charities of the really benevolent, they are recorded in no books except those of the Guardian Angel. Everything about our modern life makes us thirst for the dramatic. Conciliation and conference administer no knock-out blows, and yet, if we are to find modes of pacific settlement, they will have to be based upon long-range wisdom which must see the cloud of controversy while it is still no larger than a man's hand. The process must afford no opportunity for diplomatic triumphs and either the gaining or losing of face.

These considerations have perhaps tended to make very practical people impatient and cause them to point out that the world always has enough real and threatening troubles to make it unnecessary to go poking about to see if there are any merely possible future troubles to be borrowed. To this is to be added a difficulty which arises from the fact that international conferences in the past have rather served the purpose of dramatically registering conclusions arrived at before the conference was held than actually reaching and adopting conclusions as the result of the conference itself. But when all of these difficulties are recognized, it must still be admitted that conference belongs in the scheme of pacific settlement. Great international conferences, with agenda prepared long in advance, serve a useful purpose even when they collapse without apparent result. The mere fact that nations are willing to meet and discuss their problems in public is a gain. They will continue to afford opportunities for the making of nationalistic speeches for home consumption and the adoption of intransigent attitudes upon questions which engage popular passion; but, even in such an atmosphere, agreements are often reached upon questions of real significance while the conferees maintain unyielding attitudes on others, and the ground is laid for future consideration, in a cleared atmosphere, of contentious and for the moment intractable differences. Nor is it to be forgotten that with each such conference the technique improves. A more patient and scholarly research, a more sympathetic comprehension of the facts in issue, a longer view of the history of the questions in controversy, and a more sobered realization of the value of agreement can be expected as the novelty of international conference wears off and the value of frank discussion becomes more apparent. We have a long way to go before we can feel that we have given conference a fair trial. It is to be hoped that we will

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more and more move away from the selection of personages as delegates and to an increasing degree give scholarship and character first consideration in the selection of conferees. If we can acquire the habit of appointing, not politicians with an eye on retaining or obtaining an office, but men who are willing to play for the long verdict of history, and surround them with knowledge dispassionately collected by men who work in the scientific spirit, the possibilities of conference are unlimited. If such improvements in the make-up and technique of conferences be regarded as fanciful, I can only reply that I write this paper in the deep conviction that the natural tendency of man is upward, that what is good will ultimately come to pass, and without the least impatience at not being able instantly to accomplish the best if I can but be sure that our aim is constantly toward the good.

The League of Nations is, of course, the visible and ultimate embodiment of all these principles of pacific settlement. Established in the peace treaty which ended the World War, it has always been beset by difficulties growing out of territorial and political arrangements made by other parts of the treaty in which the Covenant is contained, which it has no power *suo motu* to revise. Nations prostrated by their losses, paupered by their expenditures, and eager both for revenge for the past and security for the future, wrote their triumphant passions in the treaty and then said their prayers in the Covenant. The League of Nations is neither so authoritative nor so dentate as the Roosevelt-Taft-Lodge proposal for a League to Enforce Peace. Both its nature and its machinery rely on research, consultation, and conciliation; and the restraint of its deliberations and actions from the day of its organization has been in accordance with this theory of its functions. America's relationship to the League was at the outset confused by a wholly shabby, domestic, partisan controversy. As the years have gone by, however, a graver question has arisen, and while the United States no longer denies the existence of the League and does increasingly coöperate with it, we are far from having settled upon any practical basis by which a democracy like ours can so combine and delegate its power in foreign affairs, which is distributed by the Constitution between the Executive and the Senate, as to make full participation on our part helpful. Indeed, as the world comes to be more and more governed by democracies, in the sense of being ultimately controlled by popular opinion, the whole problem of foreign affairs

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becomes infinitely more complicated, for democracies will brook no check upon their emotions and yet, in the very nature of the case, must operate under inescapable limitations upon their information, thus making the agitation of demagogues and the appeal of super-nationalists peculiarly effective. The absence of the United States from the League has caused difficulties too well known to need recital. Without, for the moment, considering the possible use of force or even sanctions, the moral authority of the League is diminished by the absence from its composite voice of the disinterested and detached note which, in many controversies, the United States alone can strike. The League has, therefore, like the children in Maeterlinck's "Blue Bird," had certain infirmities handed to it before its birth, and to these have been added the grave misfortune of abstention by the United States, together with a third difficulty, arising out of exaggerated expectations on the one side and exaggerated fears on the other, according to the temperament of the particular critics who have watched its proceedings.

To me it has always seemed irrational to expect instant *ad hoc* solutions of age-old difficulties and to criticize the League because there is still abroad in some parts of the world the spirit of Jenghiz Khan. It has seemed to me equally irrational to criticize the League as envisioning war as the ultimate recourse. It may be possible to dispute whether the good offices of the League, to date, have prevented this or that threatened outbreak of hostility; the "ifs" and "ands" of an event which has not happened are always numerous. But it is certainly impossible to assert that any action of the League has in the slightest degree tended to cause or increase the likelihood of hostility. To a dispassionate view, the offices of the League seem to have been wholly conciliatory in the post-war agitations, and the labors of the devoted scholars and statesmen who have worked in and for the League have developed a new and sounder technique of international inquiry and promoted a broad basis of understanding and sympathy among the nations whose delegates, sitting in the Council and Assembly, have discussed international problems and policies with thoughts of understanding and peace always uppermost in their minds. Of the League as an institution we may say that Paul has planted, Apollos has watered, and all sincere lovers of their kind pray that God will give the increase.

The things which have grown out of the League, the fruit of

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its spirit as well as the developments of its experience, form the great body of mechanisms which now constitute the agencies for pacific settlement. The League has developed the principles underlying the Bryan Treaties of Arbitration: it promoted the Locarno Treaty and its congeners. In 1925 it created a preparatory commission to study the possibilities of world disarmament. On the basis of its work the present Disarmament Conference is still laboring, and whatever formal treaties it may or may not achieve, an immense gain has already been had from its frank discussions and disclosures. In 1928 the Assembly prepared and promulgated a series of model conventions, many of which have been adopted as bilateral arrangements, for pacific settlements by definite provision for arbitration and conciliation. Ultimately there came out of the troubled waters the healing influence of the Pact of Paris, which was opened to general accession in 1928 and has since been adhered to by practically all the nations of the world, including, *mirabile dictu*, the United States.

I suppose when Moses brought down the Tables of the Law from Mount Sinai there was an immediate division of opinion about them. The sage but weary fathers in Israel doubtless asked on the one side, "Where are the sanctions?" and on the other, "Why all these innovations? Is not the old law, which was good enough for our fathers, good enough for us?" But truth has its own sanctions and so the Pact of Paris, enunciating a great moral datum, will continue to stand, as the Tables of the Law have stood, violated by casual law breakers but avenged in the consequences as the moral sense of mankind unites to rebuke the transgressor. In a world which has throughout its history treated war as an instrument of policy, a moral revolution is manifest when the nations of that world unite in a declaration condemning recourse to war for the solution of international controversies, and renouncing it as an instrument of national policy in their relations with one another. A new standard of judgment is set up. This is a thing around which world opinion can gather; and in the future of the world, so far as we can foresee it, the controlling force is going to be the slow-moving but irresistible tide of public opinion.

Whether, and by what means, and how fast the Pact of Paris should be implemented, the evolutions of time alone can determine. To criticize the Pact because the right of self-defense is reserved, or because nations retained freedom of action in special

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areas, or because certain Senators of the United States made slighting remarks about it when they voted for it, is all beside the point. For thousands of years the right to make war has been regarded as an attribute of sovereignty and it was inconceivable that anybody should question the discretion of a sovereign in resorting to it. Under that theory, war always lay in the field of normal expectation. Under this new theory, the normal expectation is pacific settlement. The burden of proof has shifted. The irrebuttable presumption of the right of the sovereign to go to war for political objectives has been abolished and the war-maker is put upon the defensive. How important this is any soldier will testify. Big guns are important, but a defensible cause is indispensable to ultimate success in war. Some of the criticism of the Briand-Kellogg Pact, and indeed of all this pacific settlement machinery, proceeds on the theory that when the world goes mad it pays no attention to previously enacted self-denying ordinances; and it must be conceded that the world has gone mad occasionally and ruthlessly disregarded prudential checks set upon its own behavior. But I fancy the best we can do is to legislate for a sane world and, so far as we can, set up standards of conduct so that departures from the normal will be recognized and all possible restraints exerted. The whole of mankind's conventional morality has grown by that process and there would seem to be no reason why the growth of an international morality might not be similarly fostered.

Particularly since the adoption of the Briand-Kellogg Pact, there has grown up the practice of multilateral treaties dealing with special circumstances and regional situations. These treaties include provisions for consultation upon the occasion of alleged violation by one of the high contracting parties, and among the critics of modern peace machinery this provision causes special concern. The fear, apparently, is that if ten nations make a treaty and one of them appears to have violated it, if the other nine get together and consult about what ought to be done, their propensity will be to declare war at once or at least to make among themselves such commitments as may ultimately carry them into a war which they might otherwise avoid. This entirely overlooks the fact that both the purpose and spirit of such proposed consultation is to find a peaceful solution. So far as the United States is concerned, it would seem adequate to reply that the power to declare war rests with Congress and any consultation

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in which the United States was a party would necessarily be subject to that final safeguard. But the only alternative to consultations is not to consult, and the consequences of not consulting are either that the treaty will be violated with impunity, in which case it might as well not have been made, or the alleged violation will go unanalyzed and unredressed, breeding ill will and suspicion and war if the point of the violation is of sufficient interest to justify war by any one or more of the contracting parties which feel themselves sufficiently powerful to enforce the treaty. After all, it ought to be easy to prevent consultations from automatically becoming conspiracies, and if such consultations are conducted in the spirit of the modern devices for pacific settlement the danger from improper commitments would seem to be far less than that from a failure to consult. But consultation is not a novelty. Under the old procedure, consultation *ad hoc* was common. When war threatened, hurriedly gathered groups of ambassadors or foreign ministers got together to consult with a view to averting the outbreak. There are not wanting those who feel that if there had been some standing machinery for consultation in Europe in August 1914 the World War could have been averted. Sir Edward Grey's noble but pathetic effort to secure consultation is an excellent illustration of the point under consideration. If Russia, Austria, Germany, France and England had been under a treaty arrangement which required consultation, his fatal race against the limitations of time might not have been in vain.

But the chief flutter in the dovecote of all this criticism of arrangements for pacific settlement seems to grow out of the possible effect it may have upon the doctrine of neutrality.

When the World War broke out, President Wilson, issuing a proclamation of neutrality, called upon the American people not merely to be neutral within the restraints of legal definitions of that status, but to be neutral "in thought as well as action." This was in August 1914. In April 1917 President Wilson declared "neutrality is no longer feasible or desirable where the peace of the world is involved and the freedom of its peoples." And it must be admitted that Article 16 of the Covenant of the League of Nations, in effect, recognizes that resort to war by a member of the League in disregard of the restraints of the Covenant is an act of war against all other members of the League, to the extent at least of justifying immediate severance of all trade or financial

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relations between them and the aggressor and ultimate coöperative action, by force if necessary. It ought to be admitted that while the machinery for pacific settlement counts heavily — or perhaps it ought to be said, hopes fervently — for success through peaceful agencies, it does not and cannot close its eyes to the possibility of failure and the ultimate necessity of resort to force. But surely advocates of the doctrine of neutrality offer no more attractive prospect; for the rights of neutrals are, and always have been, no stronger than the power of the neutral to enforce them against the interest of a belligerent to break them. I am not here speaking of the status of perpetual neutrality accorded to certain areas of the world by the concerted action of surrounding states, like that of Switzerland, although in this connection it is wise to remember that Belgium had such a status and that Germany was a co-guarantor.

Temporary neutrality has had a long and varied history. Its periods of success have been largely those in which there were many strong nations neutral as to a particular conflict. Its periods of failure have been those when the dominant nations of the world were at war and their interest led them to disregard so-called neutral rights. Grotius considered the subject in the third book of his treatise "On the Law of War and Peace" and suggested that neutrals should form an opinion upon the justice or injustice of the hostility and then do nothing which would further the cause of the one in the wrong or hamper the movements of the one in the right. Vattel dissented from this view, holding that the neutral should not constitute himself a judge but that his greater safety lay in equal treatment of the belligerents. Modern statesmen and international lawyers have sought to build around the idea of neutrality a system of principles, with a view to restricting the extent of the conflict by defining the limits of conduct permissible to a neutral state and its nationals.

In its essence neutrality is a sort of indifferentism based on the theory that one is not obliged to imperil one's interests by espousing the cause of another, however innocent the victim or vicious his assailant. It has always been conceded that the doctrine of neutrality does not prevent a state from going to war when it has a sufficient interest to justify its intervention. It would seem, therefore, that the doctrine is really a system of rules of conduct for a state which has no interest justifying intervention and hopes to have, either alone or in concert with other states

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like-minded, the power to stay out of the conflict. Undoubtedly the doctrine has been highly useful to small states with warlike neighbors, but its dignity as a principle has often been marred by the fact that it has been used as a counter in bargains made in anticipation of aggression. A single example will suffice. Germany's neutrality in the Russo-Japanese War was the equivalent of an alliance. It protected Russia on her western frontier and at Constantinople and thus freed her to exert her entire power in Manchuria. A somewhat different case was presented when Germany in 1875 and 1887 contemplated fresh aggressions upon France to retard her recovery from the Franco-Prussian War. Bismarck inquired whether England would be neutral, and being unable to secure a promise of neutrality refrained from a fresh war upon France. In this aspect, neutrality is in effect intervention. The assumption of British neutrality in 1914 was Bethmann-Hollweg's fatal mistake. On the basis of its history, therefore, the doctrine of neutrality can hardly claim to be an adequate safeguard, or indeed to be a basis which, however extended and developed, will sustain peace even to the peaceful.

The World War experience with the doctrine of neutrality was disastrous. Not only were solemn obligations to respect neutrality disregarded, but a world situation was created in which neutrality was impossible. How can an integrated world, in which finance and commerce are thoroughly internationalized, be neutral when the high seas are marked out into lanes of permitted but limited travel and the list of contraband is extended beyond all the categories of arms and munitions so as to include, not the subsistence of armies alone, but the raw materials and manufactured products which sustain civilian life? If the doctrine of neutrality ever had a friend, it was President Wilson. He hoped with passionate fervor that the United States might remain neutral. He prayed that the United States might "speak the counsels of peace and accommodation not as a partisan but as a friend," and he struggled with all the belligerent governments to protect some vestige of America's right as a neutral, to remain at peace and store up a great reservoir of good will with which to bind up the wounds of the belligerents and make possible the restoration of peace and ultimate understanding among them. There were times when it was thought that we might be forced into the war to defend the definition of neutral goods. By 1917 he had come to realize that under the conditions of modern war

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neutrality had become impossible and, in the presence of so devastating a spectacle, that it was undesirable. After all, there is no reflection upon the soldier who lives up to the exact letter of the bond of his military obligation; but Congressional Medals of Honor are awarded for heroism above and beyond the call of duty. The law of neutrality and the rights of neutrals are brands plucked from the burning. They ought to be preserved, made more definite and certain, and every effort made to secure for them wider usefulness and more general acceptance. But there are situations, and the world has just faced one of them, where neutrality is not enough and where the thing needed is the sword of righteousness and not the mere security of a bomb-proof while our common civilization is being destroyed.

This was, to be sure, a special case, and no general way of defining aggression or determining the aggressor can be easily formulated. Even if we had a formula, the facts can rarely be gathered, in the midst of conflict, with final completeness. Don Quixote's procedures are not to be recommended for international action. But can we abandon the problem because it is difficult? There are both moral responsibilities and practical difficulties about being indifferent to the distinction between right and wrong. To insist on the right to sell pistols both to the highwaymen and to the occupants of the stage coach is bad morals and, when we have occasion to use the stage coach, may prove inconvenient if not fatal. But if this be a dilemma it is a very old one, and one which, for all practical purposes, has long been solved in all domestic matters. We let the community decide. We have determined that the chances of a wrong decision are immeasurably less serious than either not having it decided at all or letting each man decide for himself. The analogy is persuasive. The nations of the world are coming more and more to be a family or a community of nations, and the new mechanisms seek its judgments. The neutrality which merely refuses to decide has a hard case to make against an international consciousness which cooperates to decide and so to prevent the conflict. Even if a war, prevented by joint international action, would have been "a good war" the loss is not irreparable. The result may still be worked out by some other means, or the war started later, with a better chance for the side now known to be in the right.

Within its limited sphere neutrality is a useful doctrine, but its defense does not require an attack upon measures conceived in a

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bolder spirit and designed to avert catastrophes of a kind where neutrality is, as we have seen, impossible or undesirable. Indeed we should remember that neutrality does not even aim to prevent war. Its more modest and local object is to restrain its extension.

The world is cursed by its common fears. It is made better by its great faiths. The new spirit is the evidence of such a fighting faith. The agencies it has so far devised have in them the seeds of growth. Lawyers with their doubts and statesmen with their policies may encumber this spirit and delay its achievements. Its progress by trial and error may be slow and its course may sometimes seem to be inviting new perils. Some of the steps it eagerly takes may have to be retraced and fresh starts made, but if this is ever to be a world in which nations, like civilized men, are governed by moral restraints, and from which licensed war for the private objectives of ambitious states will disappear, it must be fought for in this spirit. Those who share this faith and work in this hope have no apology to make to their own or future generations.

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AFTER THE WORLD ECONOMIC CONFERENCE

By Sir Walter Layton

SIX months ago I attempted to outline in these pages [1] the tasks lying ahead of the World Economic Conference. What, now, are the lessons which should be learned from the story of that Conference? And what should be done in the coming months regarding the problems with which it endeavored to deal? To attempt an answer to the first of these questions is obviously an easier task than to answer the second; for while economic conditions are changing with such bewildering rapidity it is a hazardous undertaking, if not actually rash, to attempt to prescribe for the future. If I take the risk once more, I hope the readers of FOREIGN AFFAIRS will bear in mind the handicaps under which I write.

I

The chief lesson of the World Economic Conference is to reinforce and drive home a conclusion which emerges from the history of all international conferences since the war, namely, that there is little hope of achieving agreement among a large gathering of statesmen or even of experts unless the ground has been thoroughly and systematically prepared beforehand and a general understanding reached by negotiation or otherwise as to the character and terms of the agreement to be concluded.

This process of preparation had been undertaken in the case of the World Conference and some progress had been made in laying down lines of agreement on the chief items of the agenda. But the Report of the Preparatory Committee — though unanimous — was not a wholly satisfactory document from this point of view. Its comments were often vague and covered up differences of opinion which were bound to emerge when general resolutions were converted into action. Even in regard to monetary policy, on which the greatest measure of agreement was attained, there were differences of opinion as to the possibility of government or banking action fostering a rise of prices and as to the time that might be required before an international monetary standard could be reëstablished. Great Britain, for example, held that such

[1] FOREIGN AFFAIRS, April 1933.

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a standard could only be attained by degrees, as other conditions were realized. Nevertheless, it was a very important fact that common ground had been reached regarding the general proposition that in the monetary sphere the chief task of the Conference should be to organize an eventual return to an international standard, which could only in practice be a gold standard, and regarding some of the principles involved in working it. The conclusions of the Committee on Commercial Policy, however, were much less definite, and though the experts insisted most emphatically on the need for removing trade restrictions there was no very clear indication as to how this was to be done.

But in spite of this weakness it was not altogether out of the question that the Conference might have made substantial progress even on commercial policy, for experience has shown that there is such a thing as a momentum created by success; and if the Conference could have worked out a plan for a gradual return to some form of the gold standard there would have been a very strong inducement to take the second and essential step of creating the trading conditions under which it could function.

But the basis of this understanding was undermined by America's departure from gold and by the evolution of her great recovery experiment, which, as its various phases developed, made her less and less willing to contemplate an immediate stabilization; created increasing uncertainty as to the ultimate rate at which she might eventually stabilize; and even cast doubts on the question as to whether she intended to return to the gold standard at all. Thus before they met the ground had been cut away from the feet of the statesmen at precisely the point where they had imagined that their foothold was most secure. As we look back, we see clearly that the wisest course would have been to postpone the Conference until a fresh basis of agreement could be worked out. This decision should have been taken at the end of May.

The impossibility of reaching agreement on the monetary issue, however, served to throw into sharper relief the fact that there was no common basis of agreement on commercial policy. When the Conference came to discuss such matters as tariffs and exchange restrictions in the light of the knowledge that there could as yet be no general plan for reorganizing international economic intercourse, all the various national preoccupations and prejudices came to the surface and provided arguments for

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the cynics who have asserted that if America's monetary situation had not proved an insuperable barrier, there were a dozen different nations whose short-sighted economic policies would have ensured the Conference's failure.

But so far the adjournment of the Conference has not led to disaster. Although every statesman, from the King downwards, and every commentator, had declared that the strongest reason for believing in the success of the Conference was that no nation would dare to face the consequences of failure, the dispersal of the delegates has not been followed by anything in the nature of a crisis or renewed depression. Were we, then, all wrong in our prognostications? The answer, I believe, is that from the long distance point of view the world will sooner or later suffer grievous material harm if there is no international agreement; but that for the time being there are a number of factors in our favor.

One of these emerges from the proceedings of the Conference itself. At one time there was real danger of a hasty adjournment in an atmosphere that would have exacerbated national temper and suspicion. But this was avoided by the continuation of the Conference for a further three weeks, during which passions had time to cool and it was possible to provide for the continuation of its work on what is for the present a more humble scale. Hence, though the danger that the nations may turn their attention to yet more extreme experiments in economic nationalism is a very real one, it is something gained that the Conference broke up in an atmosphere of good will and with the conviction that its task would have to be taken up again. If the good ship was prevented by a cyclone from getting very far on its voyage, it at least was saved from becoming a total wreck and was towed back safely in to port.

A second and more practical consideration is the fact that a study of the curves of economic activity in recent times suggests very definitely, in the case of many nations at all events, that the acuter phases of the depression have been passed, and that the disharmonies created in the economic system by the crisis are beginning to work themselves out. In Great Britain's case, for example, it certainly looks as though midsummer 1932 was the turning point, and that since that date things have been slightly on the mend. If President Roosevelt's program is successful in America, and is so designed as not to create new disturbances for other countries, this upward trend may be expected to continue.

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While this possibility remains, and so long as the natural forces of recovery are allowed to operate, there is no reason why the nations should take precipitate action which might start a new slump. Since the Conference ended there has been one fresh default; but on the other hand some international lending in the London market has begun again for the countries of the Empire, while a loan has been raised for Austria. The tariff truce, moreover, remains in existence, and unless some vital change occurs we may at least expect that the obstructions to trade will not get worse.

The position, however, is still very precarious. Social order in many countries is still in danger through the unemployment of vast numbers of the population; debtors have not yet obtained any substantial relief and as time passes will get nearer to the breaking point. Thus while most countries of the world are not actually losing ground and some are actually gaining, a new disaster might easily be precipitated if either the political situation were allowed to get out of hand or unwise monetary or commercial policy by any important nation were to produce a new dislocation in international trade, with its normal corollary of a further fall of world prices.

II

This leads me to consider what is to be done in the forthcoming months. Clearly this question cannot be answered at all precisely until we can foresee the course of events a little more definitely. There never was a time when it was more difficult to prophesy, and anything that may be said now can only be of the most tentative description.

The great uncertainty is the outcome of the American experiment, the course of which must affect for good or ill every country of the world. Will the President succeed in his threefold object of raising simultaneously the wage level, the price level and the volume of production?

This task of leaping to a new price basis, under state direction and almost at a single stride, has never before been attempted in a country of competitive enterprise, and it is obviously a task full of difficulties. If it be true that one of the major causes of economic depressions is the emergence of a disproportion between various forms of production, and between economic phenomena such as saving and investment, wages and commodity price levels, etc. —

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and clearly this "bad timing" has played a very important rôle in the present depression — it must require the greatest skill or the most phenomenal luck to get all the wheels in the complex machinery of a nation revolving again at the proper speed in relation to one another. With speculation playing a part in some processes, but not in others, with production rising in anticipation of costs in some directions, with the impact of rising costs affecting different industries and large and small firms in quite different ways, there will inevitably be much friction and many adjustments will have to be made. These difficulties can be overcome only by a tremendous momentum of expansion. No one can yet say whether the President's herculean efforts will succeed or not, and the world is watching the outcome with great interest, not to say anxiety.

If the plan succeeds, as all must sincerely hope, it may prove of great benefit to every country, provided the rise of prices takes place without further exchange complications. If this happens, the monetary conditions in the countries of the British Empire are such that the upward movement will extend freely and naturally to these countries. There is no possibility of similar or coördinated plans for raising prices by direct action being worked out for any considerable number of countries of the world; but cheap money and capital expenditure should make possible a general, if moderate, rise of prices. It should be added, however, that those who desire to see such a movement in the Empire take a modest view of the rise of prices that ought to occur, for they are conscious that a big rise has similar, if opposite, dangers to those of a rapid fall. These dangers include the dislocating effects of undue speculation, excessive investment in those directions where prices are particularly responsive, and a new disturbance in the distribution of the national income. In short, in attempting to correct one set of evils we can easily overreach ourselves and create new ones. It therefore is wise to err on the side of caution rather than risk too much.

This parallel rise, however, will not come about if a price rise in the United States is accompanied by a more than proportionate depreciation of the dollar, for this would have a deflationary effect on prices in other countries and lead to renewed lack of confidence, diminished buying power and increased unemployment. A deflationary tendency of this kind abroad unquestionably operated to depress world trade in 1931 when the pound went off

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gold, and prevented any appreciable recovery in Britain. The most disconcerting feature of American events in May and June was that in this instance also the international depreciation of the dollar again ran ahead of its internal purchasing power. An unbalanced movement of this kind not merely causes, or threatens to cause, a shift in existing trends of commerce, but invites competitive depreciation and tends to bring about great capital movements which disturb the foreign exchanges out of all relation to the normal levels resulting from price conditions and the balance of trade. A successful American experiment may be of great general benefit, but only on condition that there is no undue disturbance of the international exchanges.

If, on the other hand, the American experiment suffers setbacks owing to the impossibility of driving the whole team forward at the same pace, industrial recovery in America must hang fire for a while until any abnormal increases of production that may have taken place have been liquidated and prices that have risen out of proportion have adjusted themselves once more. But unless fresh adjustments have to be made on a very great scale I see no reason why a check to the United States boom should generate a world slump or that anything worse should happen than that America would fall back to the slower but definite tempo of recovery which has for some time been noticeable in most countries which are free from political disturbances.

III

What are other countries likely to do while the fate of this great experiment is still in the balance? So far as Great Britain and the countries of the Empire are concerned, although they will be extremely anxious to foster and develop such recovery as has been achieved up to date, they are unlikely to take any spectacular action to induce either an artificial rise of prices or an economic expansion. The idea is deeply rooted that recovery would be imperilled rather than assisted by stimulating a speculative movement founded on the anticipation of government action which may or may not be successful, and that it is better to coax than to cajole. This cautious attitude applies even more to the exchange situation than to production and prices. Although British policy, as announced at the World Conference and endorsed by the Dominions both at Ottawa and in London, rejects the possibility of stabilizing on gold until some rise of prices has

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taken place, we are not unconscious of the fact that this doctrine involves something of a paradox, particularly if it applies over a part only of the international field. The theory of an artificially engineered price rise followed by stability recognizes that the condition at which we are finally aiming — the condition that will preserve equitable relations between different parts of the economic structure, once more make possible reasonable and durable contractual relations between debtor and creditor, and restore confidence in the monetary and banking system — is one of stable prices, or, in other words, stability in the value of the monetary medium. Yet we have first to attain it by a process which deliberately creates distrust in the monetary medium, tends to cause a flight from currency into goods, and produces the disturbing international movements of capital to which I have already referred. This contradiction can only be circumvented if the price movement is general, moderate in amount, and attained by degrees rather than by violent jerks. Such considerations are considered very important in London, whose international business as a monetary, commercial, insurance and shipping center would be seriously menaced by grave distrust of the pound.

On the other hand, the declaration of the Empire countries at the end of July made it quite clear that in present circumstances the pound will not at present be formally linked to gold — partly because circumstances may arise which would make it impossible for us to maintain any parity that might be chosen now, and partly because any formal link would tend to discourage the upward movement of prices which we think ought to take place. The pound is strengthening its prestige as a stable currency in the sense that it is not at the mercy of speculative or other influences which have nothing to do with the underlying conditions of trade, and it continues, as it has done for many months past, to be fairly stable in relation to gold currencies. If the violent American exchange movements of the last few months die down this link may well become the basis of a permanent stabilization. But for the moment there is nothing to do but to wait upon events.

Meanwhile, for reasons which are partly political and partly psychological, the gold countries will do their best to remain on gold. This is almost certainly in the interests of the world; for if the gold link were snapped now in countries which have in varying degree already experienced the evils of extreme inflation and

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have a passionate desire to avoid a repetition of these unhappy experiences, it might create internal reactions leading possibly to social and political trouble, as well as international exchange movements which might prove extremely difficult to control. This does not mean that these countries must be a drag upon world recovery and the general upward movement of prices. The economic sphere of the countries still upon gold is relatively so small that if American prices rise, and if this movement is accompanied by a similar if smaller movement in other non-gold countries, the movement would almost certainly extend to gold prices themselves, provided always that the exchanges of the countries that are off gold do not pursue so erratic a course as to upset the trade of the world. It is to the interest of non-gold countries who are pursuing a definite price raising policy to watch the exchange position carefully and to see that the course of their exchanges does not produce a new international disequilibrium.

If this objective is kept in mind there is no reason why the course of events should be further disturbed in the next few months by a fresh crop of tariff increases or of trade restrictions. The tariff truce is still in being, and the only consideration which is likely to lead countries to embark once again on a course that would obviously be harmful to everybody would be a desire to get into a position to safeguard themselves against the effect of some new or violent exchange fluctuation. Indeed, there is no reason why modest steps should not be taken between particular countries to ease some of the more extreme restrictions where they are proving obviously harmful.

IV

If this is a correct appreciation of the course of opinion and of events in the near future, how and when can we take up again the broken thread of international coöperation?

So far as monetary policy is concerned, it is clear that for the moment little can be done. At the time of writing there is a small setback to the price recovery; but if this proves temporary, and the rise that has been achieved up to the present is held, there is no reason why there should be any fresh violent exchange disturbance. This is true even of the United States — set as she is on the attainment of a substantially higher price level. Price movements in the past, both upward and downward, have taken place on quite a large scale without throwing the whole exchange

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position of the world into chaos. These exchanges should be a function of the trading position between the different countries. Even in the present condition of the world a resumption of the upward movement can perfectly well take place without involving big exchange fluctuations which merely send fugitive capital flying round the world and confer temporary advantages on one country at the expense of corresponding disadvantages to others.

But it is not to be expected that America will yet be ready to stabilize the dollar, even if she has made up her mind whether or no she intends ultimately to adopt a commodity dollar rather than coöperate in working some form of international gold standard which will aim at greater stability in the value of gold than has obtained in recent years. If she decides for the commodity dollar, then complex questions will arise in working out normal financial relations between this new standard and metallic currencies. But, in any case, there is every reason why the various countries should attempt, if possible by international understanding, to prevent the movements of capital to which I have referred. It is true that it is extremely hard to prevent these movements in times of abnormal exchange variations, for experience has shown that there are a hundred ways in which the elusive capitalist can get round the most carefully devised schemes. Indeed, there is no final cure which will reduce these movements to the normal requirements of trade, except comparative exchange stability. But it is highly desirable that the central banks should try to work out plans which would discourage such movements, and if possible render them unprofitable, by the use of central funds. The declared intention of the Empire countries on the one hand, and the gold countries on the other, to prevent, as far as possible, any exchange variations within these groups, will at least tend to check these capital movements over a large area of the world in the next few months.

A more fundamental and difficult question is how to take up again the problem of reducing trade restrictions, whether for the sake of releasing the trade of the world, or as a necessary condition of exchange stability. Here again all that can be done in the immediate future is for discussion to be resumed as quickly as possible between countries whose mutual exchange rates can be kept comparatively stable. There is no reason, for example, why the countries of Central Europe should not be working out meas-

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ures for relaxing their trade barriers generally, and in particular the crisis measures which have been imposed in the last two years.

At an early date, moreover, the problem of international indebtedness must compel creditor countries to consider their commercial policy *vis-à-vis* their debtors. This is perhaps the most important method of easing the position of the latter. But even if trade restrictions are relaxed sufficiently to permit of some increase of trade, if the plight of agricultural countries is somewhat relieved, and some upward movement of prices takes place, this will solve the debtor question only in part. In the autumn the position of countries whose accumulated debt is heavier than can be liquidated by ordinary trade means during the next two or three years must be taken up afresh, and negotiations entered upon with a view to lowering rates of interest from the present high figures, which are clearly more than the economy of these countries can possibly stand.

A hand-to-mouth policy in regard to the exchanges; the maintenance of cheap money conditions; modest efforts to mitigate restrictions within limited groups of countries; and an adjustment of the more flagrant cases of burdensome indebtedness — this is not an exciting program. But such stop-gap measures are all that are possible until the outcome of the American experiment is known. The World Conference had no alternative but to leave to the discretion of its Bureau the decision when and in what field international discussion should be resumed. Until the time is ripe for taking up the broken threads once more, the world can at best only expect the modest advance of the past ten months to continue: for until there is a radical break with the nationalist trends of the past three years no country can hope to regain the high points of material prosperity which were touched in the past decade. And a break with the past involves reopening all the long-range problems which I attempted very inadequately to discuss six months ago in these pages.

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INDICATIONS OF WORLD RECOVERY

By William O. Scroggs

A YEAR or more ago the opinion was widely held in the United States that the economic recovery of this country was retarded by conditions in other parts of the world. The domestic situation was assumed to be thoroughly liquidated, and although business still received occasional shocks or setbacks, these were believed to come mostly from abroad. Our banking crisis during the first quarter of 1933 gave a hard jolt to this assumption. Now that we have emerged from the stress of this period and seem at last to be on the road to recovery, there are indications of a reversion to our former idea that our progress is being hampered by conditions elsewhere.

In a sense this view is correct. In spite of a manifestly growing desire in the United States for economic self-sufficiency, we have not yet learned how to avoid sharing in some degree both the fortunes and the misfortunes of other countries. But the rule works both ways. If we suffer from their ills, they may also suffer from ours. As the charts on the following pages clearly show, the ups and downs of business activity have paid little attention to national boundary lines, but seem to have followed practically the same schedule on both sides of the Atlantic. Not only in the countries represented in the charts but also in most of the other countries of commercial importance, prices have been rising, speculative activity has been increasing, industrial activity has been expanding, and employment has been gaining. These may be indications of the beginning of world recovery.

In Chart I, showing the trend of wholesale prices in the United States, France and Great Britain during 1932 and 1933, the similarity of the curves is especially striking in view of the dissimilar monetary policies of these countries. In each country there was a sharp recession of prices, in terms of domestic currencies, during the first half of 1932, followed by a short-lived recovery in the third quarter, and then by a renewed decline which continued well into 1933. The second quarter of 1933 brought a rally.

In Chart II, showing the trend of prices of industrial stocks in the United States, France, and Great Britain, the curves again show similarity, but the fluctuations are less pronounced in British than in American and French securities. Moreover, while American and British stocks reached their extreme low point in June 1932, French stocks did not "make their bottom" until March 1933, when the political victories of the German National Socialists disturbed the Paris Bourse. In other important financial countries stock prices also reached their lowest point in the second quarter of 1932. They touched bottom in Germany during April, in Belgium, Czechoslovakia and Switzerland in May, and in Canada and the Netherlands in June of that year.

Chart III shows the recent trend of industrial production in the United States, France and Germany. Many people will probably be surprised to observe that the low point of industrial activity in these and other important countries was not reached in the spring of 1933, when we were having our banking holiday, but in midsummer of 1932. Industrial production reached its

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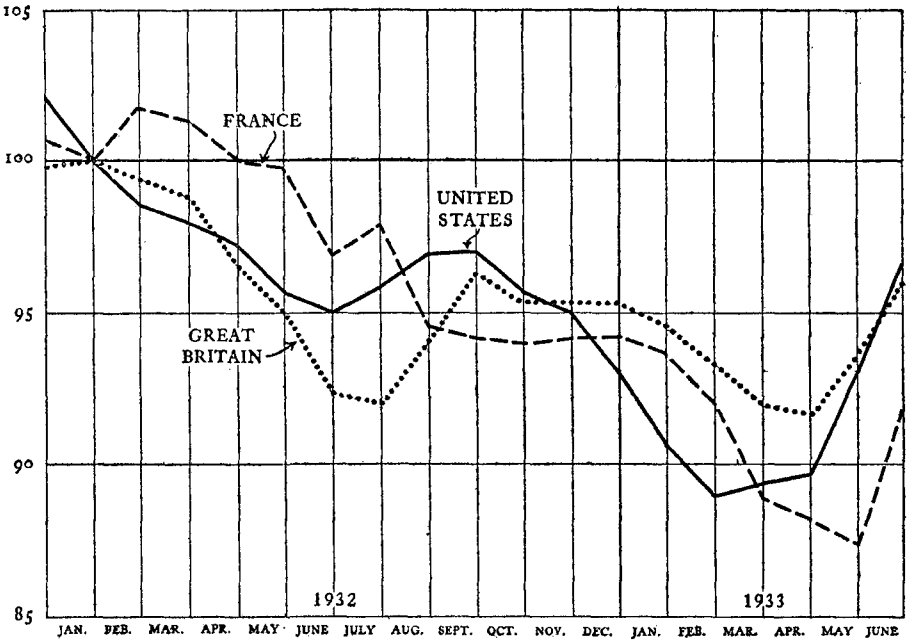
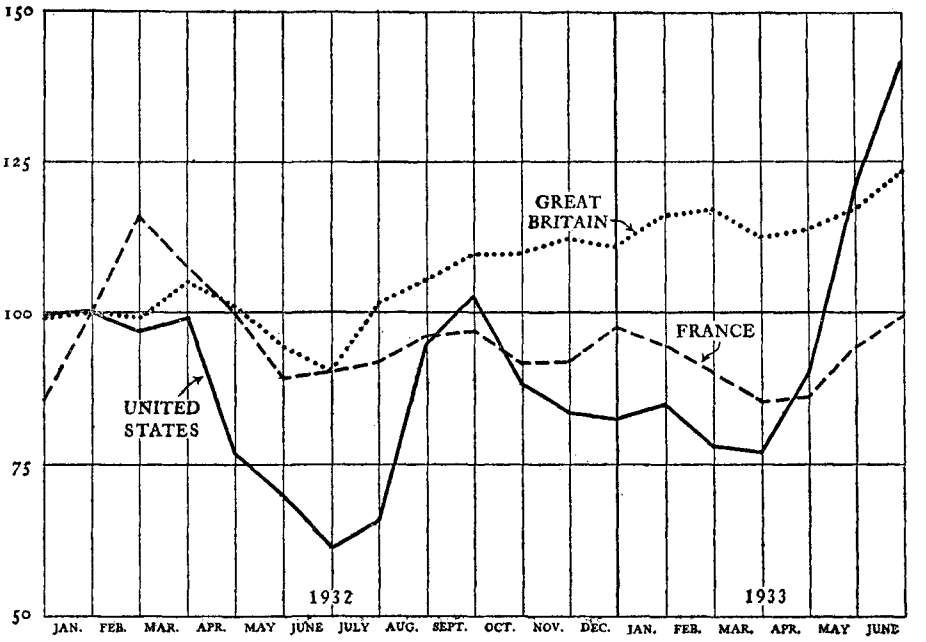
I. WHOLESALE PRICES
(*January 1932 = 100*)



II. PRICES OF INDUSTRIAL STOCKS
(*January 1932 = 100*)



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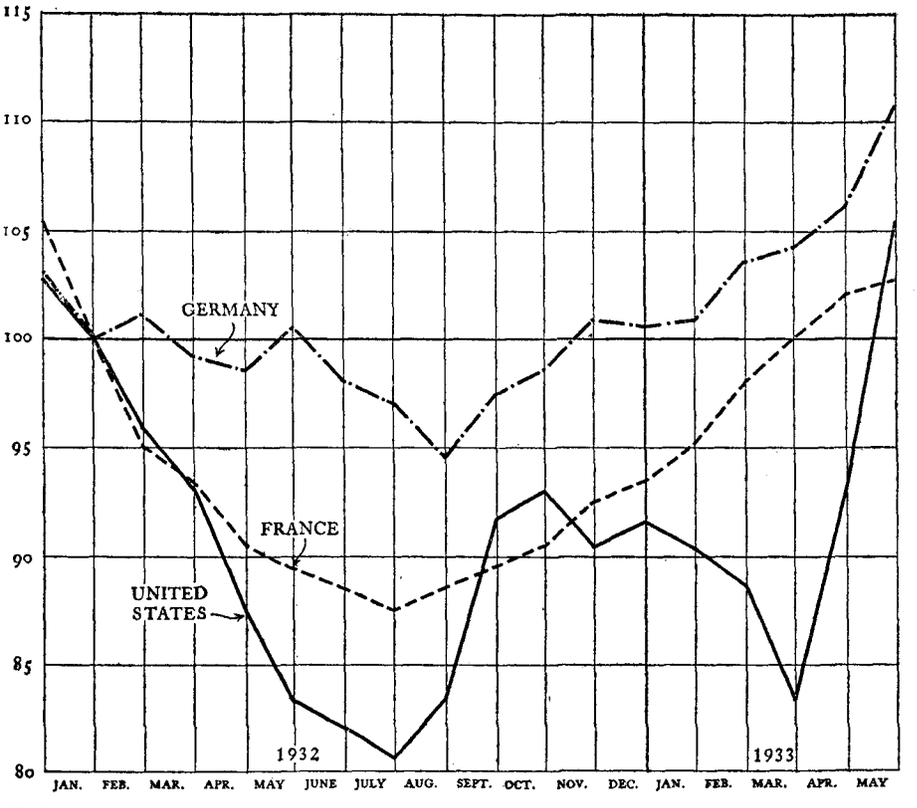
III. INDUSTRIAL PRODUCTION
(*January 1932 = 100*)



nadir in Austria, Belgium, Czechoslovakia, France, Sweden, and the United States in July 1932, and in Germany in August. As the British index is prepared on a quarterly basis, it is not comparable with the monthly indices of other countries; but it shows that British industrial activity was also at its low point in the summer of 1932. The drop in the United States production curve in the first quarter of 1933 was obviously due to the banking crisis.

We are still too close to the events noted in these pages to permit us to draw final conclusions, but we may at least say this much:

1. Economic recovery, as indicated by increasing industrial activity and rising prices, is under way, and apparently on a sound basis, in the leading commercial countries of the world. 2. This recovery actually began at mid-year 1932. 3. It has proceeded in similar fashion in countries adhering to widely divergent commercial and monetary policies. 4. The United States did not lead in this recovery. In the midsummer of 1932 it reached a lower depth of depression than did Great Britain, France or Germany, and from November 1932 to April 1933 its industrial production was declining while theirs was improving. In its rapid industrial upturn during April and May the United States succeeded in catching up with the procession.

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THE SECURITIES ACT AND FOREIGN LENDING

By John Foster Dulles

THE decade 1920–1930 saw New York become the financial center of the world. At the time we took considerable satisfaction in supplanting London in its time-honored rôle. Today the use which we made of that opportunity is looked back upon as one of the less creditable incidents of a now discredited period.

Five years ago foreign bond issues were a matter of almost daily occurrence. Now, for about three years, practically no foreign loans, except Canadian, have been made in the United States and there is no immediate prospect of any being made. Neither 1928 nor 1933 can be viewed as normal. Judging by British precedents, we some day will again resume foreign financing, just as England has continued to lend money abroad despite periods of widespread default incident to previous economic crises. But the present lull in foreign financing does afford a useful occasion for us to take stock of the advantages and risks of foreign loans and, particularly, to appraise the bearing on such loans of the new Securities Act.

That Act was primarily designed to compel an adequate disclosure of facts with reference to securities offered to the public. It requires, as a precedent to the offering of any security, the filing of detailed information; and it imposes heavy financial liabilities upon those associated with the offering if the information filed proves incorrect in any material respect. As to the desirability of the Act's objective there can be no question. The Act embodies many excellent features. It is, indeed, a most creditable piece of legislative draftsmanship if account be taken of the speed with which it was enacted and the extremely complicated and little understood nature of the subject with which it deals. In the limited time available the special session of Congress found it impracticable to consider all of the manifold forms which financial transactions assume, with a view to assuring in advance that the law might not inadvertently embarrass certain desirable operations. Inevitably, then, the Act has certain unintended, undesirable and harsh consequences. These will gradually come

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to light, and we can expect them to lead to amendment of the Act in the light of its practical workings.

Some of the effects of the Securities Act on foreign bonds fall in this category of presumably unintended results. This is particularly true as regards the Act's bearing on adjustments of existing bond service in cases where some modification proves necessary.

In recent years the most usual cause of default on foreign bonds has not been the debtor's insolvency but the difficulty — often approaching impossibility — of his securing adequate amounts of the particular external currency (*e.g.*, dollars) called for by the bonds he has issued. When such an exchange crisis arises, it is usual for the government of the debtor to enact some form of general transfer moratorium law under which the debtor is required to make full payment, in his own currency, into his own central bank. The central bank then assumes the responsibility of converting this currency into dollars, to the extent that this proves feasible, as a part payment on the debt. The unconverted portion remains, in local currency, with the central bank or similar agency of the debtor country to the credit of the coupon holder, but "blocked" so that only a restricted and approved use can be made thereof by the creditor.

As a practical matter it is very important for the creditor that there be devised some machinery for putting to use the local money thus set aside for him. Unless some occupation can be found for the money within the economy of the debtor country, there is grave risk that even this form of payment will be abandoned, since no country can long stand the strain of having increasingly large percentages of its money immobilized in the form of a demand deposit with its central bank. If the debtor once wholly ceases to pay, even in his own money, and adjusts his affairs accordingly, resumption of debt service becomes immeasurably more difficult. The problem is further complicated by psychological considerations. Once a debtor definitely ends all paying relationship to his creditor, he is apt to lose the will to pay, a will which continues to exist so long as he can still maintain a creditable record for the future. A complete default once having been recorded against him, the debtor is apt to feel that prolongation of default is not a matter of vital consequence. Thus, where default has been due to exchange problems, it is important that the creditor should coöperate to make it feasible to have

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payments continued at least in local currency. This, in turn, implies that the creditor put his holdings of local currency to work, otherwise even this modified system may not indefinitely continue.

In the case of Hungary, after pengo payments had been accumulated in the National Bank for upwards of a year and the system showed signs of collapse for reasons such as those just mentioned, it was suggested that the creditors be given an option to place their pengos with a Hungarian company to be formed for the purpose under semi-official auspices. This company would put the pengos to work within Hungary in ways presumably advantageous, on their own merits, to the foreign bondholder. Moreover, the very fact that the money was being used in the economy of Hungary would have promoted a continuance of pengo payments as future interest became due. This plan is now in suspense, however, because of the difficulty of qualifying the transaction under the Securities Act, and in view of the financial responsibilities which the Act would place upon those sponsoring the plan, who would be acting primarily to help out the American bondholders and without any possibility of gain commensurate with the risk imposed by the Act.

A somewhat similar situation has arisen as regards Germany. Under the German transfer law of June 9, 1933, German obligors on dollar bonds pay in marks to the Reichsbank (*Konversionskasse*). The Reichsbank has indicated its intention to transfer 50 percent of these moneys into the currency of the bonds and to issue to the coupon holders mark certificates of deposit for the balance. These certificates of deposit may be subject to the Securities Act. The risk of this is so real that it is difficult to find American institutions willing to handle them. The reluctance exists even though the certificates be registered under the Act, for fear of the financial consequences that might ensue from some inadvertent error in the complicated registration certificate. The German authorities, on their side, are reluctant to assume the responsibility and expense incident to registration of the *Konversionskasse* certificates. What the outcome will be is not yet evident. One certain consequence is that American investors owning approximately $1,000,000,000 of German bonds are not even receiving the available 50 percent of their interest payable in dollars pending the finding of some solution for handling the Reichsmark certificates representing the balance.

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It is fair to assume that such consequences were not intended by Congress. This seems apparent from the fact that the Act exempts transactions where a financially embarrassed corporation offers a composition to its creditors. This exemption is not available in the most usual cases of foreign default for, as already noted, such defaults are not normally attributable to a debtor's insolvency but rather to a national shortage of foreign exchange. In such a case it is usually the central bank or similar agency which deals with the foreign creditors and such dealings by other than the debtor himself are not exempted. In other words, the Act was apparently designed to facilitate processes of adjustment usual when domestic bonds go into default; it does not cover the typical situation where a foreign bond goes into default. The Federal Trade Commission has indicated the desire to interpret the provision of the Act liberally in these respects. However, the Federal Trade Commission is, by law, given very little discretion or power to interpret the Act. The result is that the Act may operate to deprive American holders of defaulted foreign bonds of many useful facilities which would otherwise be made available to them, and even actually to accentuate and prolong the default.

In an entirely different category are the conditions which the Securities Act attaches to new foreign financing. Here three features deserve particular comment. The first is the provision, applicable to issues of foreign governments, that the foreign government must furnish as part of its registration statement "the receipts, classified by source, and the expenditures classified by purpose, in such detail and form as the Commission shall prescribe for the last fiscal year for which such information is available, and the two preceding fiscal years, year by year." Now there is no subject more controversial and less standardized than the preparation of public budgets and the classification of income and expenditures. Whether or not a government's budget is "balanced" is almost always a matter of opinion. It is to be surmised that foreign governments, and especially those to whom we would most prefer to lend, will be very reluctant to submit to the jurisdiction of some foreign commission as regards the classification of their receipts and disbursements.

A second point of major importance is the delay which the Act makes necessary between the decision to borrow in the American market and the date when the bonds can actually be offered.

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This delay is incident to preparing the very complicated registration certificate, assuring that it satisfies the Commission, and then permitting the lapse of the statutory period between the date of filing and the date of offering. As a result, a foreign government which would sell its bonds in the United States cannot secure as good terms as it would if the whole negotiation could be executed promptly. Under ordinary circumstances a government can pick its date for financing and its bankers can quote a firm price based upon the existing conditions. But in view of the delay which the Act makes necessary the borrower who would be sure of his money will have to pay the underwriting bankers an added amount which, in effect, represents insurance against the risk of unfavorable developments during the period of delay.

The extent and degree of financial responsibility which the Securities Act places upon the representatives and underwriters of a borrower, whether foreign or domestic, may also be expected to act as a serious deterrent to foreign financing. This responsibility goes far beyond that known to the common law or created by statute in other countries. If the highly complicated registration statement contains any material error, even though inadvertent, the officials of the borrower and the bankers who handle the issue may be held responsible for the entire issue. This is true even though the decline in the price of the bonds in question may have been due in no way to the error itself but to totally different causes. Nevertheless, those still holding the security are entitled to recovery and those who have sold at a loss are entitled to damages.

Of course it is only fair to point out that these elements of delay and of financial risk exist to a comparable extent in the case of domestic securities. Indeed, the mandatory delay between the filing of the registration statement and the issue of bonds is shorter where the issuer is a foreign public authority than where the issuer is a domestic borrower. The consequences, however, are not the same. When a domestic corporation wishes to raise money by issuing securities it may have difficulty, because of the provisions of the Act, in finding underwriters, and it may have to pay more for the financing than would otherwise be the case. Its officials, directors and bankers may incur serious risks. But the domestic corporation generally has no practical alternative. Foreign borrowers, on the other hand, certainly those which

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enjoy the best credit, frequently have an alternative market to which they can turn. England and France, as well as the United States, afford markets for foreign securities. In some cases, too, internal financing is a possible alternative to external financing. The better the credit of the borrower, the greater is his choice of a market and the greater the probability of his using the market where he can get the best price and incur the least statutory risks and embarrassments.

The English Companies Act simply permits a buyer of securities to undo the transaction, that is to rescind, against the person who was responsible for making the public offering, and then only if the buyer bought on the faith of the prospectus and it failed to comply with the law. This right, apart from the disclosure required by the Act, exists at common law. That Act limits the financial responsibility of others to damages actually attributable to a mistake or to monetary fines for violation of the law, but does not subject foreign government borrowers even to this modest risk. Foreign government borrowings are exempted from the provisions of the Act. It is safe to assume that our Securities Act, as it now stands, with the inconveniences which it imposes and its drastic penalties, and with no exemption of foreign government borrowings, will deter the best type of foreign borrowers from using our market. If this result is not desired we should consider the alternative of amending the Act, in line with the English Companies Act.

Since the deterrent effect of the Securities Act upon future foreign financing in this market must have been foreseen, and hence presumably was intended, it is worth while to consider whether, after all, it is or is not desirable to curtail foreign borrowing in the United States.

The prevailing popular prejudice against foreign bonds is due to the impression, firstly, that they are more apt to "go bad" than domestic bonds, and secondly, that money loaned to foreigners goes abroad and, in an economic sense, is lost to the lending country. The latter impression is clearly erroneous. When a foreigner borrows dollars, those dollars are spent in the United States, directly or through triangular operations, precisely as though the dollars had been borrowed by a domestic corporation. The only exception of possible importance is where the dollars are used to buy gold from our monetary stocks and the gold is then "earmarked" or exported. That type of transaction is so

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rare, however, that it can be ignored. When it has occurred it generally has taken place with the approval of the Federal Reserve Banks and often as part of a deliberate policy to bring about an improved international distribution of gold which would lead to better stabilization of currencies. In all other cases the dollars are and must be spent in this country, as this is the only place where they have spending value. Once the money has been spent, a different economic result is apt to follow than that which follows the purchase of goods by a domestic concern: the goods purchased with the borrowed dollars (farm, mining and manufactured products) are normally taken abroad and so are withdrawn from the stocks which must be consumed in our own country. It is interesting in this connection to note Dr. Schacht's recent criticism of Germany's foreign borrowing: "The foreign money which we borrowed, in so far as it was not directly spent in foreign countries, could only come to us in the form of commodities. The excessive use of foreign credits was therefore the reason for which very large imports came into Germany and gave us an import surplus throughout the period from 1924 to the middle of 1930."

It is sometimes asserted that foreign lending tends to dry up the reservoirs of capital which are needed for domestic development. This might be true if lending were made out of a fund of limited proportions so that any part made available to foreigners reduced by so much the portion available for domestic needs. Actually, loan transactions involve an extension of credit which is susceptible of almost indefinite expansion where there is confidence in the future, including the future of the monetary unit in which the loan transactions are expressed. It was, indeed, at a time when funds were most readily obtainable by domestic enterprises that our foreign lending reached its peak, and foreign lending had virtually ceased well before domestic financing fell into its present phase of stagnation.

From the investor's standpoint we must recognize that foreign bonds carry a certain risk which domestic bonds do not. This is due to the fact that, just as the proceeds of foreign lending normally express themselves in exports, so the extinguishment of a foreign debt can take place, broadly speaking, only through imports to the creditor country. And just as foreign lending withdraws goods from stocks otherwise pressing for domestic consumption, so repayment adds, through imports, to the domestic stocks.

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To the extent that these compete with domestic production they evoke political control by the government of the creditor nation, which is generally more alert to protect domestic producers than domestic investors. By means of tariffs, quotas, and embargoes creditor countries can and do make it difficult for debtor countries to pay. Experience shows us that against this political hazard we may set the fact that as a class foreign bonds are largely immune from the risk of the borrower's becoming insolvent. This is not surprising, since foreign borrowing is generally confined to governments, important political subdivisions thereof, and a very limited group of foreign companies which have attained sufficient importance and demonstrated sufficient stability to become internationally known.

The American investor's experience as between foreign and domestic loans during the post-war decade indicates that the greater risk of a foreign bond not being paid due to currency and transfer problems is measurably offset by the lesser risk which the holder of a foreign bond runs that his debt will be made less valuable by the debtor's insolvency. This is so despite the fact that the period in question embraced several years during which unprecedented measures have been adopted to curtail imports. A calculation covering all recent domestic and foreign bond issues of over $10,000,000 made on the basis of July 1932 prices, when both domestic and foreign bonds approximated their "lows," showed that approximately $7,000,000,000 of foreign bonds offered in the post-war decade at an average price of 95.17 had then an average market value of 48.61, a decline of 49 percent. Approximately $10,000,000,000 of domestic bonds offered during practically the same period at an average price of 97.41 had retained an average market value of 53.48, a decline of about 45 percent. The average interest rate on the foreign bonds was 6.36 percent and on the domestic bonds 5.3 percent. Since July 1932 both domestic and foreign bonds have substantially appreciated in value, but the percentage appreciation has been approximately the same for both classes.

The plight of the American investor in foreign bonds is not so bad as is generally supposed. The bonds of certain South American countries have fallen to grotesquely low quotations, due primarily to the fact that these countries have no accumulated reserves of foreign exchange or foreign securities with which to tide over an emergency, but are wholly dependent upon being

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able uninterruptedly to sell abroad, at fair prices, the raw materials which they produce. Their export markets have now largely disappeared or only exist at values which represent a small fraction of those which prevailed when the borrowing occurred. Thinking of the losses taken in such bonds, we are apt to forget the satisfactory lot of the American investor who bought public bonds of Canada, Great Britain, France, Italy, Belgium, Switzerland, Holland, Sweden, Norway, Denmark, etc. There has never been any question of the full payment of interest on these bonds, at a very attractive rate; and among them have occurred substantial appreciations in market values. Many other foreign bonds (*e.g.*, those of Japan, Poland, Czechoslovakia, Finland, Australia, the Argentine Government, etc.) have been kept good, often in the face of difficulties which have served to emphasize the debtors' high sense of financial responsibility. In the case of Germany, full service at high interest rates had been paid on upwards of a billion dollars of bonds throughout the depression up to July 1 last; and a substantial part of the principal has been repaid. Even with the cut in interest consequent upon the recent transfer restriction, the holders of Dawes and Young bonds continue to receive their interest in full and the Dawes bonds receive their sinking fund as well. The holders of other German bonds will still be receiving an appreciable return. Therefore, although it must be conceded that foreign bonds contain a certain element of risk to the investor not inherent in domestic bonds, it must also be recognized that the generally higher standard of internal solvency and the usually higher interest rate provide a measure of compensation.

Diversification, a fundamental rule for the sound investor, affords added protection. For example, take the actual case of an investor who in 1928 acquired $100,000 principal amount of foreign government bonds, distributed as follows: 20 percent in Canadian bonds, 25 percent in bonds of Northern and Western European countries, 20 percent in bonds of South and Central European countries, 25 percent in bonds of South and Central American republics, and 10 percent in bonds of Far Eastern and Australasian countries. His investment on August 14, 1928, had an actual value of $99,804, and was then returning an income at the rate of $5,992 per annum. The value of the same investment list on August 14, 1933, was $73,079, and the actual income in dollars was at the rate of $4,746 per annum. This list of invest-

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ments, which is based on an actual case, not on hindsight, included obligations of 19 different countries, of which 5 are at present in default, although in some of these cases local currency deposits are being made.

Whatever one's individual views as to the investment merit of foreign bonds, no one can shut his eyes to the fact that the volume of foreign financing we have already done strongly commits us to doing more. Refunding operations are essential if we are to avoid unnecessary defaults and widespread losses to American investors who already hold foreign bonds. It is a natural and normal procedure for a solvent debtor to meet large maturing capital obligations by selling new obligations. The process is accepted without question in the domestic field. If the United States Government for any reason had to pay off its obligations as they matured, without resorting to new financing, its credit would be destroyed forthwith. The same is equally true of our railroads, our public utilities, in fact most of our domestic borrowers. The principles operating with our foreign borrowers are the same. If the billions of dollars of foreign bonds already held by American investors are to retain a value, they must to a substantial extent be refunded, and we should refrain from embarrassing responsible foreign borrowers in their plans to meet maturities by new financing.

In the absence of refunding in this market, the only alternatives of the debtor are to send us more goods or to refund elsewhere. Neither alternative is adequate to meet the problem and avoid widespread default. Nor does either alternative conform to our immediate national program of making our goods more valuable in terms of the dollar. Imports, if expanded to abnormal proportions by the efforts of foreign debtors to pay in goods, force down the domestic price level. Refunding operations through other currencies have the same effect. For example, if the debtor borrows sterling or francs with which to buy dollars to meet his bond maturities here the result will be an artificial appreciation of the dollar in terms of other currencies and of world prices. The July appreciation of the dollar in terms of sterling and the concurrent decline in our commodity values in terms of the dollar were not entirely unrelated to the English Government's scheme for converting its dollar bonds into sterling bonds.

Quite apart from the fact that new foreign financing is necessitated by our existing loans, it is desirable from a broad na-

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tional viewpoint that the American market should be available to foreign borrowers. That our exports are largely promoted thereby must be conceded. Indeed at this juncture, when foreign bonds cannot be sold to the public, our Government has apparently contemplated stepping into the breach by loaning abroad many millions of public money so that foreigners will have dollars wherewith to buy and consume our agricultural products. Here the risk would be placed upon the taxpayers as a whole rather than upon individual investors, but the economic effect is much the same as if foreign bonds were publicly sold — namely, dollars are used by foreigners to acquire goods for which domestic consumers would otherwise have to be found.

In addition to the bearing of foreign lending upon our exports, we must bear in mind that there are many and important, even though intangible, advantages in being an owner and potential future buyer of foreign securities. For example, it probably is not to our advantage that Canada, after doing its financing for the past twenty years exclusively in the United States, returned last August to the English market, where its 4 percent bonds were enthusiastically oversubscribed. The event is hailed by the English press as inaugurating closer political and economic relations between England and Canada and a probable tie of the Canadian dollar to sterling rather than to the American dollar. When one nation develops close financial relations with another and realizes that it may have occasion to go to it for financing, it shapes its commercial and fiscal policy with a view to maintaining the lender's good will. England has long derived advantages from such a relationship. It is equally possible for us to do so.

Finally, the ownership of foreign securities may prove of inestimable value in case of some national emergency, such as war, particularly where the creditor country has continued access to the world market. It was of inestimable value to the Allies that they, particularly Great Britain, were able to mobilize hundreds of millions of dollars of American securities for resale to the American investor and use the proceeds to finance the importation of munitions. Foreign securities represent a "call" on the productive capacity of the obligor country. Any nation, no matter how powerful or self-sufficient, is still stronger and safer if it enjoys this additional asset.

It is so clearly our destiny to play an international rôle, and we are already so far committed, that we must assume that

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foreign loans will again be made. That certain of such loans have in the past been hazardous to our investors cannot justify their prohibition or discouragement as a class. It does justify educating the public to discriminate. Such education will, however, not be accomplished through the information required to be filed under the Securities Act. Although a large part of this information is desirable, it is so voluminous that it will be read by but a few and so complicated that it will be understood by still fewer.

The simplest and most effective way to educate potential investors is to bring them to understand that the rate of interest, or rather the yield, is an excellent criterion of the measure of risk. A very large part, about half, of the foreign bonds which were offered in the post-war decade were priced to yield from 5 to 6¼ percent. There have been practically no defaults in this category. The defaults have been almost exclusively confined to the bonds sold to yield more than 6¼ percent and up to 8 percent. If a bond is sold to yield 8 percent, then it is risky, however laudatory the prospectus and however conservative the reputation of the issuing bankers. This principle is generally recognized as applicable to domestic bonds. There appears, however, to have been an impression that its validity did not extend to foreign bonds, but that in this category high yield could be obtained without risk. It should be implanted in the investor's mind — so firmly that it cannot be eradicated by the highest of high pressure salesmanship — that as with domestic bonds, foreign bonds bear their own label. High interest yield means that in the judgment of the financial community there is risk. This simple principle alone, were it understood and acted upon, would largely prevent the imprudent purchase of speculative foreign bonds by banks, trusts and investors of small means who should not place their principal in jeopardy.

Speculative bonds will still be bought, and it is not undesirable that this should be so. Progress and development in every field are largely the fruit of risk. Had there not in the past been many, both at home and abroad, willing to risk the purchase of American bonds when they were highly speculative, the creation of our arteries of transport and the development of our great natural resources would have been long delayed. We in turn have now become a creditor nation. This development, inevitable in the long run, was precipitated by the World War. It found our bankers and our investing public less experienced than if the shift

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from debtor to creditor position had been a gradual one. The remedy for this immaturity is not to be found in legislative restraints upon our normal creditor nation rôle. Rather it calls for our education in financial matters, to the end that foreign risks will be recognized and appraised and assumed deliberately only by those who can afford them. The practical schooling of the past four years has already done much to qualify us for a wiser use of our opportunities and a better discharge of our responsibilities.

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REVOLUTION IN CUBA

By Jorge Mañach

DID the events of last August which put an end to the tyrannical dictatorship of General Machado in Cuba constitute a genuine revolution? If by revolution we understand merely the sudden shift of power from one man to another, the answer is clearly yes. Yet even with this definition, there is room to question how responsible a nation may be for a revolution characterized by anomalies both in its cause and course. Thus the revolution was produced as the consequence of the activities of a foreign diplomat, and its later developments continued in large measure to be conditioned by that same intrusion. To what degree do these facts detract from the genuine revolutionary character of the governmental change which has occurred in Cuba?

The answer depends on how strictly we define the nature of a revolution. There are revolutions and revolutions. There are simple transfers of authority of the superficial and factional type so common in Latin-American history; and there are revolts of more profound significance. Externally, every revolution worthy of the name is a process; that is, it is not one act, but a series of acts which describe an acute curve, with a preliminary phase of incubation, an apex moment represented by the revolt itself, and a decline toward normality, in which the revolutionary impulses finally achieve realization or frustration. Internally, every revolution is based on the imposition, by violence or otherwise, of an opposing will on the will of the constituted governmental authority. The classification of a revolution depends on whether this will is partial, merely that of a faction, or genuinely collective and national.

An examination, first in its external aspect, of the process of the Cuban revolution (which, it goes without saying, is still to be completed), leads to the recognition of a typical quality which predominates over the dubious elements in the situation mentioned above. The revolt itself consisted, as is well known, in the peremptory displacement of President Machado and his government by the Cuban army, together with accompanying activity on the part of the people, who during several feverish days of persecution and pillage set their hands to every possible form of

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punishment. It was in its way a typical reproduction of the best accredited revolutionary models. Of its genuine character there is no possible doubt.

But these events would certainly not have taken place in such a way or at such a time without the intervention of American diplomacy, in the person of the United States Ambassador, Mr. Sumner B. Welles. To determine the degree to which this circumstance affects the national responsibility for the revolt, we may do well to examine its antecedents, taking them however in inverse order.

1. Machado abandoned office and the capital of the Republic when he became aware on August 12 that the revolt of the army was virtually unanimous and that the United States, should it intervene, would not do so with sufficient promptness to assure his personal safety.

2. The military revolt was due none the less to the evident danger of such an intervention, should Machado have refused to abandon office by means of a constitutional leave of absence, as had been suggested by the Ambassador.

3. Such a stand was doubtless taken by Ambassador Welles as the result of the formidable general strike which had been declared throughout the republic. This was clearly a protest against the continuance of the government in office. It carried with it the imminent danger of even more serious public disorders.

4. The reason it was possible for the Ambassador to assume such a peremptory attitude and at the same time escape criticism for overstepping his authority was due to his "tender of good offices," which had been previously accepted by General Machado himself and by the most active sectors of the Opposition, as offering a possible solution for Cuba's political problem.

5. The United States was compelled to resort to this diplomatic move in order to reconcile its present policy of the "good neighbor" with the necessity, inescapable from its point of view, of ending the serious state of affairs existing in Cuba.

6. For the last five years the government of General Machado has been resisted and opposed, both legally and violently, by one of the most tenacious and dramatic movements recorded in the history of Spanish America. And that is saying much. Notwithstanding the sustained support of the army, it often seemed impossible that the cruel dictatorship could hold out much longer against the siege laid to it by Cuban public opinion — organized

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in various combat sectors — and more recently by disapproval from abroad. Indeed, the situation presented all the characteristics of an *impasse*. The prolonged struggle had broken down the economic life of the island, already profoundly affected by the depression in sugar. Such a state of affairs represented a chronic threat to foreign interests established in Cuba, and the responsibilities contracted by virtue of the Platt Amendment implicitly obliged the United States to end it.

This retrospective analysis is at the same time logical and chronological. Each circumstance was determined by the one before, although in the final stages events occurred so precipitately (some even simultaneously), that the line of causality was dimmed. From such a brief sketch it is clear that the process which culminated in the military revolt — the "efficient cause" of the overthrow of Machado — had its origin and true support in the sustained attitude of rebellion on the part of the Cuban people. This attitude finally found energetic outlet thanks to the state of public affairs resulting from the highly skilful diplomacy of Mr. Welles. But although it is pertinent to attribute to this diplomacy a decisive influence in the process leading to the revolt, it is evident that the final responsibility for this latter pertains to the Cuban Opposition.

Consequently the character of the revolution, its place in history, is defined by the nature and motives of that Opposition. Did it represent the will of a faction, directed only toward the reconquest of power and the overthrow of tyranny, or on the contrary did it respond to a mobilization of the will of the entire nation?

The fact is significant that the first movements of opposition to the government of Machado — at a time when he still counted on the confidence of a large part of the country — started from zones normally remote from politics, in particular the zone of student life. A Spanish thinker has written that youth is rarely right in what it affirms but almost always right in what it denies. Beginning with complaints of merely academic character, the students of the University of Havana ended with a declaration of war against Machado himself and against the whole traditional political system which he represented. They were the first to perceive vaguely that in Machado there was coming to a head an ominous process which had steadily been weakening the dominion of the national will over the country's development. In this

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process and in the fact of its culmination under Machado are to be found the true causes for the present revolution, the emotional substratum which has determined its motives, making of it, not a simple agreement of factions for the displacement of an unpopular government, but a profound mobilization of the national will against the historic causes which have alienated it.

Cuba has always been in fact a people debarred from self-determination. The Cubans have not been able to shape their destiny according to their own will, because that will has lain in semi-subjection. Geographical, historical and cultural factors have coöperated, first to delay the integration of a collective conscience and will, and then to fetter the development which might have come through their free operation and exercise.

Cuba's position as an island meant that through all the colonial epoch Spain could isolate it and hinder the development of a national will like that which grew up in the other Hispanic countries of America. This is one of the reasons why when the native leaders first began to aspire to independence they were always compelled to include in their calculations the possible assistance of neighboring countries, particularly the United States, which might offset the power of Spain. It could be shown how other characteristics of colonial life, especially slavery, together with the social and racial division resulting therefrom, helped also to foment the psychology which timidly sought either integral unity with Spain or else favored subjection to a strong power which might conserve the interior unity of the island.

Spain moreover was incapable of endowing its American colonies with a progressive political culture. The Hispanic-American republics were born in the nineteenth century, the century of liberal principles and standards; but their tradition of government was that of the worst Bourbon authoritarianism. Obliged by the rush of events to adopt, without preparation, the democratic forms in vogue in countries of greatly superior political education, they inevitably had to undergo various difficulties of adjustment. Their revolutions were only the price of their apprenticeship; they represented the failure to synchronize political doctrine, understood and appreciated by only a few, with the necessities and impulses of a primitive and heterogeneous popular mass.

Cuba would not escape in its turn the disturbances resulting from this incoherence. When toward the end of the last century José Martí, then in the United States, was in process of preparing

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the second independence movement, he was careful to point out that this would be only a war of emancipation. The second war, that for internal liberty, would come years later; as Martí prophesied, thirty years later. Previous to her effort for emancipation, Cuba had had occasion to observe the experience of those of her sister countries which already had become independent, and there is historical evidence for the assertion that the example of their convulsions more than once served to curb Cuban emulation. Opposed to certain romantic aspirations and dreams of absolute liberty at any cost, there long thrived in the island a fear of premature independence. This conditioned also the will of the dominant group. Hence the reason why the most characteristic political ideals of this group were of modest scope: annexation or autonomy. In the nineteenth century the Cubans had already contracted a kind of historical inferiority complex, which inhibited their trend toward self-determination.

Strictly speaking, the two wars of 1868–1878 and of 1895–1898 constituted a single long process undermining the psychology of independence. The first, initiated by rural landowners, still flirted with the idea of annexation. The second was better able to represent the longings of the popular mass, now swelled by the free negroes. It was an endeavor to demonstrate — as José Martí, its apostle, emphasized — that Cuba was capable of achieving liberty and independence. On the success of that demonstration, consequently, depended the future political morality of the Cubans. Martí had already died on the field of battle and the fate of the war was still doubtful, when the United States, aroused by the "atrocities" of Weyler and naturally desirous of rounding out the sphere of Monroeism, intervened in the conflict and decided the emancipation of Cuba.

It is too often forgotten that this was the first official intervention in Cuba. Others of semi-official character had threatened Spanish rule; for, as Elihu Root was to confess in 1901, "the United States, for the last three-quarters of a century, has proclaimed before the world, both in Europe and America, its right of intervening in Cuba; and has refused to other states even a friendly intervention in Cuban matters." But now intervention was a reality. The Cuban effort for political self-determination resulted thus in semi-subjection, tarnishing the joy and pride of liberation.

But despite the most generous intention on the part of the

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United States, Cuban illusions were still to be humiliated further. In the Treaty of Paris which put an end to the war, the Republic of Cuba in arms was not even a signatory. The transition from colony to nation was effected by means of the military occupation of the United States. When finally the Cubans were granted permission to write their constitution, the sovereignty of the new state was compromised by the Platt Amendment, which imposed on Cuba a permanent treaty, by which the United States was conceded the right of intervening in Cuba in certain specified emergencies. Cuba was irremediably a protectorate. Her sons had to resign themselves to arrive at national maturity as the wards of a guardian.

Whether the Platt Amendment limits Cuban sovereignty or not has been much discussed in Cuba. The discussion is merely technical. The important point is, not whether the Platt Amendment limits sovereignty itself, but the national sentiment of sovereignty. And on this point doubt is scarcely possible. The paternal and perspicacious prudence of the American Congress resulted in crushing the Cuban sentiment of self-determination, when it imposed express limits on the exercise of the collective will. The most serious consequence was the weakening of those organic defenses of the new state which would have safeguarded its democratic health and vitality. Feeling the threat of potential intervention, the Cuban's sense of responsibility was undermined and with it his power of self-correction. For around this delicate sense of responsibility revolves, in peoples as in individuals, the whole system of moral values and forces. Tutelage favored the growth of general civic indolence, a tepid indifference to national dangers. Should the nation be threatened, the intervention of Washington was always there as a last resource, or a last hope. The heroic attitude was discarded from Cuban values; desperation, that great spur of peoples, was banished. Disillusion led to a withdrawal of the best idealism; the ambition for a republic mature and proud in true historic style, values which are associated alone with full sovereignty, was abandoned. What public spirit remained was forced to find expression in matters of secondary import, or was drawn off into hollow pretense. The spirit of sacrifice gave way to the spirit of exploitation. In short, the protectorate did not grow out of the need for protection, but rather engendered that need for the future.

The spirit of furtive political dependence which characterized

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the beginnings of the Republic translated itself into a kind of calamitous mimicry, thus strengthening the same lack of originality and of independent ability to determine standards which had derived from the limited political opportunities of the colonial period. The Cuban Constitution of 1901 was an impromptu production, based on foreign models which were totally inadequate for application to the reality of a nation both immature and heterogeneous. From the American Constitution was taken, in addition to many precepts and institutional forms without justification in the case of Cuba, the principle of a strong executive. But in the new republic this principle was to lack the counterpoise of the states, and consequently degenerated. On the other hand, the unprepared masses were granted a direct and overwhelming representation in the political machinery. Unconsciously the foundation was thus laid for a despotic presidency and an irresponsible and oligarchic democracy. The national will was left at the mercy of a confused understanding between the will of one single individual and the blind will of the masses.

Such is the psychological and political background of the first era of the republic. Let us now consider how Cuba's primary problem, that of economic semi-subjection, is projected thereupon.

Economically also Cuba is a nation under intervention: that is, a nation which has no power over the conditions determining its material well-being. This is due to the fact that the Cuban, because of the semi-subjection of his political will, has never resolved (until the present) to reconquer and maintain a sure control over his country's resources, which were alienated during the emancipation period.

Throughout the first three-quarters of the past century, the Cubans were jealously excluded from public office by bureaucrats brought from Spain. They did however own and control the country's economic wealth — land, sugar, cattle, etc. The exploitation of Spanish rule was limited to the enormous taxation levied on this wealth of the creoles. The campaign of emancipation which began in 1868 obliged the Cuban to sacrifice his connection with that wealth. Plantation owners freed their slaves, saw their sugar mills demolished or burned them themselves with their own hands; they had to abandon lands and farms to go into the struggle or into exile. The Spaniards took possession in great part of this abandoned wealth. When the Ten Years War ended, there-

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fore, the Cuban had been displaced to large degree by the peninsular Spaniard and by the small group of Cuban "Tories." The war of 1895 completed this displacement. When peace was made the Cuban was little less than destitute. It might have been hoped that the treaty ending the war would compensate for these sacrifices by indemnities such as fall to the victor in every demobilization. But as has already been said, the Cuban, at least halfway victorious, was not a party to the Treaty of Paris. The geographic booty — Puerto Rico and the Philippines — was reserved by the United States.

Thus emancipation was translated by the American intervention into a semi-subject political independence; and on the economic side the Cuban was left dependent on those who held the island's wealth. These were principally Spaniards. The republic made its début under the sign of that disappointment. The relationship contracted with the United States opened a wide door for the investment of northern capital. The Cuban was needy. Intervention had damaged him psychologically; he lacked capacity for resistance and decision. He sold a great part of his lands at the first favorable offer, thus opening the way for the monopolization of them by American capital. The population of Cuba was divided into a small privileged class possessing the residue of colonial opulence, and the middle and lower classes, cut off from all wealth.

Those classes attacked the only resource left to them: the government budget. They removed from power the country's first president, the austere and economical Estrada Palma. After a second American intervention, they elevated to the presidency rulers disposed to serve the needy expeditiously and generously if not always wisely. Thus originated a treasury policy of large expenditures: that is, of swollen budgets, frequent loans, bureaucratic waste and copious graft. The presidents abandoned themselves to this short-sighted policy and were popular to the degree in which they generalized extravagance, sharing it with the largest possible number of citizens.

A fictitious prosperity was thus enjoyed for many years. Burdened by successive and growing loans, which were willingly granted by calculating foreign banks, the Republic was able to carry the weight of this artificial economy so long as sugar — which is the basis of the island's prosperity — remained in Cuban hands and was quoted at good prices. But in proportion as this

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last held true, the greed of American capital for further investment showed corresponding increase. In ever greater number the sugar *centrales* passed into the hands of northern stock-holders. Vast landed properties — by the necessities of rationalization — grew up around them. Thus the alienation of Cuban wealth attained its apogee. After the Great War the people of Cuba were economically a servant people. The position which they had occupied during the colonial period was reversed: now the Cuban held the flag and public office, but wealth was in other hands.

It is easy to imagine how this economic subjection determined a corresponding political and civic subjection. Where extravagance is an almost obligatory administrative standard, little austerity is to be looked for from rulers. The economic destitution of the Cuban made him an accomplice of the short-sighted and wasteful official. Dependent on government favor, or on the service direct or indirect of strong foreign interests, the Cuban had to choose between compliance and suicidal rebellion. He decided naturally for compliance. The consequence was popular support of corrupt government, whose only required virtue was that of liberality.

During the first two decades of the Republic, artificial prosperity dissembled the havoc which was being wrought in the vital forces of the country. A conscious minority recognized that public morality was profoundly corrupt, that the ideals which had led to the founding of the nation had been defrauded. But that minority, cut off from the mass, was impotent to act upon it. The mechanism of the political parties had fallen into the hands of an oligarchy of professional politicians, at the service of all-powerful but short-sighted presidents and of a political clientele avid for favors. Two conditions were indispensable for a reaction against such a state of affairs: first, that the masses should be pushed to protest by economic need; second, that the conscience and will of the country should feel itself brutalized by a despotic president.

With the collapse of the apparatus for a super-production of sugar, which most improvidently had been created during the World War to satisfy what was then believed to be a lasting demand, the first condition was on the point of realization. The economic *malaise* provoked symptoms which pointed toward a substantial change towards the end of the Zayas period. Adversity is a coefficient of all other misfortunes. The country felt

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itself sinking into poverty and corruption and endeavored to react in the so-called movement of Veterans and Patriots. Its failure made clear the need for a more energetic reagent.

Under these conditions Machado came to power in 1925. Because of his relationships and his personal and political antecedents, he could only be expected to be another spendthrift. He began, in fact, with a fantastically expensive program of public works. At the same time he launched a no less fantastic program for national "regeneration." The people, avid for rectitude as well as for public expenditures, thought they had found their model president, their providential man. They were not slow in noting, however, that although the program of public works maintained the tradition of extravagance, the benefits fell not to the many but only into the hands of a palace clique.

At the first sign of inconformity, Machado showed his hand. Public opinion struggled for expression in the University, in the press and even in Congress; but Machado silenced it *incontinenti*. Intimidation spread through the land. The people then placed their hope in Machado's promise not to seek reëlection. As the end of his period approached, the President reformed the Constitution to his fancy and was reëlected, not for four but for six years more. To assure his possession of this plunder, secured by pressure and bribery of the electorate and by control of the political leaders, the President, really a *de facto* ruler, maintained the constitutional apparatus which provided a cloak of legality for his dictatorship. But he bribed Congress, intimidated the courts, made certain of the support of the army by many privileges, and curbed all protest by the cruelest and most sinister régime of repression which Cuban history has known.

Thus despotism appeared: the second condition essential for popular reaction was fulfilled. The rest of the story is known. The opposition to Machado promptly took on unanimity — muffled but indisputable. For the first time, all classes in the country were united in resistance. To explain why this universal conviction did not translate itself into an effective force would carry us too far afield. But to make clear the character of the recent revolution it is chiefly important here to point out that despotism and the economic crisis were the two conditions which led the Cuban people to become conscious of the Republic's fundamental evils, to consider the inadequacy of their political institutions, to recognize the economic root of their problems and of the factors both

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internal and external limiting their civic vitality, and to dispose themselves finally to assert their will against all these obstacles.

The events of August have been the initial steps in this effort to affirm and liberate the national will of the Cuban people. For that reason they constitute the first phase of a genuine revolution, for which the Machado tyranny has been only a stimulus. This revolution is animated by the purpose to restore the full liberty of the Cuban people. They must find their bearings in relation to their national problems, and solve those problems adequately and finally. For the first time since the war of independence, the people of Cuba experienced during those August days the emotion of control, the feeling that they were masters of their own destiny. We shall not inquire to what degree that experience was an illusion. The duty of loyal Cubans and the duty of all those who truly wish to help Cuba is to promote the translation of that illusion, if such it was, into reality.

Cuba needs to feel itself independent and to pay, if necessary, the historic price of that dignity; to pay that price, if such is its destiny, with still more pain and more blood. It is not among soft cushions nor under parental tutelage that peoples learn responsibility and capacity for self-government. The best service which the United States could render Cuba would be to consent to the abrogation of the Platt Amendment, which is the fundamental cause for the psychological semi-subjection of the Cuban people. To the degree that Cubans possess sufficient vision to see beyond their immediate interests, to conceive and feel Cuba in its historic dimension they long for that abrogation. But it is clear that the United States could agree to such a step only by recognizing its consequences: to wit, the simultaneous renunciation, for both present and future, of the privileges which power and proximity give.

Cuba furthermore needs to achieve without delay a fundamental solution of its economic problem, assuring to the Cuban his proper and inalienable relationship to the riches of his country. This presupposes a policy of economic restoration which necessarily would put a check, legally though none the less effectively, to foreign interests exercising an excessive domination which limits or conditions the Cuban's means of support. Only a magnanimous acquiescence to such a policy on the part of the United States will leave clear of all doubt, both in Cuba and in Latin America as a whole, the friendship of the great Republic of the north for this young Republic of the Caribbean.

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THE SALE OF THE CHINESE EASTERN RAILWAY

By C. C. Wang

THE Chinese Eastern Railway has bred trouble ever since it was conceived of in 1896. It led to the Russo-Japanese War of 1904, it continued for over thirty years to create international suspicion, it caused the "near" war between China and the Soviet in 1929, and now once more it forms a bone of contention in the Far East. How does it happen that a railway with only 1,067 miles of single track, and annual gross receipts normally of only about 40,000,000 rubles, at the pre-war rate of exchange, should be able to stir up so much trouble? Why should Russia's proposed sale of a half interest in it to Japan attract attention the world over?

To begin with, we may recall that the modern history of Manchuria started with the construction of the Chinese Eastern Railway, and is interwoven with the history of its activities. Since its completion in 1902, the Chinese Eastern (with its southern branch, now known as the South Manchuria Railway) has been the center of all the political and economic activities of Manchuria, both domestic as well as international. In the original contract of 1896, which Count Witte negotiated with Li Hung-chang on the occasion of the Tsar's coronation, it was agreed that the Chinese Eastern Railway should be owned and operated by a private company. Among other things, this contract provided that the shares of the company could be acquired only by Chinese and Russians, and that the President of the company should be of Chinese nationality, appointed by China. It further provided that at the end of thirty-six years of operation (that is, in 1938) China should have the right to redeem the railway by paying the capital cost of construction plus the accumulated losses of operation, and that at the end of eighty years China should enter gratis into possession of the railway and its appurtenances. Excessive profits, after the sums allowed shareholders as dividends, should be applied to the redemption fund on behalf of China. Capital expenditure and operating deficits, in the meantime, were to be financed by the Russian Government.

In practice, however, China had very little to do with the management of the Railway. Although it was agreed that the

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shares of the railway company could be acquired by Chinese and Russians, the Tsarist régime so manipulated matters that the Chinese were prevented from exercising their right. The tactics were quite simple. By arrangement, the shares were printed in St. Petersburg, and were bought up by the Tsar's agent as soon as they came off the press. Thus the Russians became the sole shareholders and secured the entire proprietary control of the railway. The contract said that the President must be Chinese, but it strictly limited his duties and powers. It stipulated that the undivided surplus of the railway should be applied to the redemption fund on China's behalf, but it did not say what was the maximum dividend to be declared, which in practice meant that there was never any surplus.

Apart from these manœuvres for the control of the railway, the 1896 contract apparently was honest enough. There is every reason to believe that at the beginning the Tsarist régime honestly intended, as it solemnly promised Li Hung-chang, to build the Chinese Eastern Railway through Chinese territory as a purely commercial line with only one non-commercial privilege — the through transit of Russian troops, and of merchandise which originated in and was destined for Russian territory. This measure was for the purpose of saving about 500 miles in distance over the circuitous Trans-Siberian Railway, which follows the left bank of the Amur River. As regards the free transit of goods, the status of the Chinese Eastern is somewhat like that of the railways through the Polish Corridor. As regards the transit of troops, there seems to be no other railway in the world subject to such a provision.

Had Russia kept her promise and observed the terms of the 1896 contract, the Far East in general and Manchuria in particular probably would be in a totally different condition today. As fate would have it, before the ink on the 1896 contract was dry, the jingo party in St. Petersburg got the upper hand and began to exploit the situation for ulterior motives of conquest. As Count Witte says in his memoirs, they shamefully broke Russia's promise and demanded the extension of the Chinese Eastern from Harbin to Dalny (now called Dairen) and Port Arthur. Every excuse was made to read extraneous meanings into the 1896 contract. Every occasion was seized upon to push Russia's expansionist schemes.

Russia's bad faith not only alienated China, who had quite

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sincerely looked to Russia for neighborly help, but alarmed Japan. When the Russo-Japanese War broke out, China, in spite of a secret treaty of alliance with Russia, declared friendly neutrality in favor of Japan, and the local Chinese did much to help the Japanese army. As Count Witte remorsefully observed, it was Russia's bad faith that brought about Russia's shameful defeat at the hands of the Japanese.

By the Portsmouth Treaty of 1905, Russia, with China's consent, ceded to Japan the southern branch of the Chinese Eastern from Changchun to Dairen and Port Arthur, as well as all her other interests in South Manchuria. From the moment that Japan secured the southern branch of the Chinese Eastern she at once began to outdo Russia in using it to further her own expansionist schemes. But that is another story.

II

The first public appearance of the Soviets in connection with the Chinese Eastern Railway was when Karakhan made his famous declaration in 1919. The Soviets condemned the Chinese Eastern Railway as a symbol of imperialistic oppression of the Tsarist régime, and made the grand gesture of returning the railway to the Chinese people without compensation. The gesture made a profound impression upon young China. But by 1924, when Karakhan came to Peking to settle the Chinese Eastern question, the Soviets were no longer in a position to honor the generous offer which they had made five years before. It must be observed that the Soviet's change of heart was not due necessarily to a lack of good faith in making the original declaration, but rather to the subtle influence of the Russians in Manchuria, who, for obvious reasons, like most seaport gentlemen in the Far East, would oppose any proposal that their home government should relinquish any special privilege.

To a certain extent China was also to blame for the Soviet change of heart, because at the time of the Karakhan declaration China was so solicitous of the good will of her neighbors — all of them anti-Bolshevik — that she did not venture to make any rapprochement with the Soviets. Indeed, it was largely the recognition of the Soviet by the British Labor Government in 1923 which seems to have emboldened China to take up seriously the negotiation with the Soviets which resulted in the settlement of May 1924.

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By the 1924 agreements China and the Soviets gave the Chinese Eastern Railway the plain status of a joint government enterprise. As a temporary arrangement, pending the redemption of the railway by China, it was to be managed by the two countries on a half-and-half basis. It was agreed that a conference should be convened within one month after the signing of the agreements (which took place in May 1924), and should be "completed not later than six months from the date of the opening of the Conference," and that its task was to be "to settle the amount and conditions governing the redemption as well as the procedure for the transfer of the Chinese Eastern Railway" to China. The agreements reaffirmed that the railway should be operated entirely as a commercial enterprise and stipulated that all profits should be held by the Board of Directors pending the redemption of the railway by China. The time limit for the free reversion of the railway to China was reduced from eighty to sixty years, i.e. to 1962.

At that time both China and the Soviets blamed the Tsarist régime for all the past woes of the Chinese Eastern Railway. Both promised to do better. From all appearances, it seemed that the final liquidation of the question by China's redemption of the railway was only a matter of months. This optimistic atmosphere, however, did not last long. The agreements of 1924 between Soviet Russia and Republican China proved no more wholesome than the old contract of 1896 between the Little Father of All the Russias and the Son of Heaven. Indeed, instead of simplifying matters it added a few more complications to the numerous old ambiguities bequeathed by the Tsarist régime. To begin with, the new agreements provided that, pending revision, the original contract and statutes of the Chinese Eastern Railway Company of 1896, in so far as they did not conflict with the new agreements or prejudice the sovereign rights of China, should continue in effect. This provision refers to some rather voluminous and ambiguous documents. It is extremely difficult, to say the least, to determine which articles in the statutes conflict with the new agreements and which do not. As to China's sovereign rights, it is well nigh impossible to say which provision is prejudicial and which is harmless. As this differentiation is left to the directors of the railway, who are appointed by the two governments sometimes for political considerations, the confusion cannot but become worse confounded. Thus by one stroke of the pen the

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ghost of the Tsarist régime was reincarnated into the body of the new management.

The new agreements also provided that pending redemption the railway should be managed by a board of five Chinese and five Soviet directors with equal rights — six votes being required for positive action. To manage a railway by one government is difficult enough, but to manage a railway by two nations with five directors appointed by each government, with the Chinese directors speaking little Russian and the Soviet directors understanding no Chinese, is atrocious.

To make matters worse, the Soviet proposed that in case the Chinese and Russian directors failed to agree they should refer the matter in dispute to the "two governments for a just and amicable settlement." China suggested arbitration by neutral experts for the settlement of such disagreements; but the Soviets were so opposed to interference by nationals of the "imperialistic" nations that its proposal was finally adopted. Thus an additional cause for diplomatic squabbles was introduced.

The obvious soon happened. Questions involving disagreement soon began to outnumber those of accord. Both sides, quarrelsome and exasperated, could do nothing but "pass the buck" by referring an ever-increasing number of disputes to the two governments "for a just and amicable settlement." The net result of this peculiar way of managing a railway was the "near" war between China and the Soviet which began in July 1929 and was not patched up until finally Marshal Chang Hsueh-liang gave in at the end of the year.

Despite the difficulties, the Chinese Eastern Railway up to September 1931 had been working well enough for the Soviets to find it "profitable both economically and politically" — so much so that they showed an increasing tendency to prolong the "temporary" arrangement. Every effort was made to put off the conference for the settlement of the questions of redemption which, according to the 1924 agreements, should have been completed not later than December of that year. In the meantime the surplus of the railway became too tempting to be kept by the directors as stipulated and therefore was divided equally by the two contracting parties from time to time.

To a certain extent, local conditions in China have been responsible for the delay in calling the conference of final settlement. On the other hand, it is evident that the Soviets have never been

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eager for China to redeem the railway. Indeed, since the conclusion of the 1924 agreements the Soviets apparently have experienced another change of heart, as shown by their efforts in delaying the detailed arrangements concerning redemption. The fact that by the 1924 agreements the Soviets purposely required that the redemption should be made only with Chinese capital (knowing full well China's lack of funds) seems to indicate that even at the time of negotiation they might have had mental reservations regarding this question. Whatever the underlying causes, the fact remains that the conference for the redemption of the railway, which should have been completed early in 1925 at the latest, was never convened.

III

The illegitimate incarnation of "Manchukuo," however, has totally altered the situation. Brigandage along the whole length of the Chinese Eastern has become more serious than ever before. Sabotage, train-wrecking and burning of stations have become an everyday affair. Numerous demands of the most irritating and costly sort, such as for the free transportation of Japanese troops and Manchukuo guards, the restriction of train movements, etc., have been made in dictatorial language and carried out by force. Valuable properties of the railway have been seized; many Russians have been summarily arrested; numerous railway employees have been killed, disabled or kidnapped by bandits for ransom. Even the railway itself has been cut several times by Japanese officers in the employ of Manchukuo, both at Manchuli and Pogranichnaya, for the purpose of stopping all traffic between Manchuria and Siberia. Life and property, the Soviets declare, "have never been so insecure along the Chinese Eastern as they are today." It is even rumored in Harbin that no attempt is made to keep order along the line, on the theory that the more trouble that occurs the cheaper will be the purchase price of the railway.[1] There may be no truth in this. But the fact remains that provocation from Manchukuo has become infinitely more unbearable and menacing to the Russians than that which led to the "near" war between the Soviets and China in 1929.

Nevertheless, the Soviets apparently realize that Mr. Henry Pu-yi, with the backing of Japanese troops, deserves a different

[1] See *The Manchester Guardian*, June 12, 1933.

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consideration than that accorded to Marshal Chang Hsueh-liang with Japan pulling his leg from behind, and therefore have been remarkably conciliatory in all their relations with the puppet. As the *Peiping Chronicle* commented April 29, 1933, "everything was done to avoid friction for the sake of maintaining the principle of joint Russian control." But the Soviets' forbearance has only led to ever-increasing encroachments. After numerous protests and some feeble bluffs the Soviets finally settled down to face realities. They definitely offered their interest in the railway to Japan for a monetary return. Japan curtly declined the offer and suggested that the purchase be made by Manchukuo instead; and the Soviet immediately accepted Japan's suggestion.

On learning of the proposed sale, the Chinese Ambassador at Moscow, under instructions from Nanking, at once called the attention of the Soviets to the fact that all matters pertaining to the Chinese Eastern Railway should continue to be governed by the agreements concluded between China and the Soviets in 1924, according to which it was mutually agreed that the future of the Chinese Eastern Railway should be determined by the Republic of China and the U. S. S. R., to the exclusion of any third party or parties. The Ambassador also pointed out that any new arrangement concerning this important means of communication made without China's consent would constitute a violation of the Agreements of 1924 and should, therefore, be considered as null and void and would never be recognized by the Chinese Government. The Soviets replied[2] that they were entitled to sell their interest in the railway to any purchaser willing to buy it because the Chinese Government had forfeited its rights when it ceased to be a partner in the management of the railway.

China immediately sent another note[3] of protest to the Kremlin in which it stated that the Chinese Government had been much surprised at the Soviet authorities' disregard of the treaty obligation as well as their inclination to conclude an unjustifiable transaction with an unlawful régime. Besides reminding the Soviets of the stipulation that the Chinese Eastern should be redeemed by "the Government of the Republic of China with Chinese capital," which the proposed sale would directly violate, the Ambassador recalled the solemn pledge

[2] Cf. the London *Times*, May 12, 1933.
[3] Official Bulletin No. 109 of May 16, 1933, issued by the Chinese Delegation at Geneva.

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mutually made by the Chinese and the Soviet Governments in Paragraph 2 of Article Four of the 1924 Agreement, which says: "The Governments of both Contracting Parties declare that in future neither Government will conclude any treaties or agreements which prejudice the sovereign rights or interests of either Contracting Party."

The Chinese Government argues that although recently it has been prevented by *force majeure* from participating in the administration of the Chinese Eastern Railway, China has not for that reason given up any of her contractual or sovereign rights in the railway nor can she admit the argument that on account of the existing state of affairs, which must be felt as painfully by Russia as by herself, the Chinese Government should be debarred from claiming the rights under the agreements in question.

The Note also emphasized that the whole world regards the present situation in Manchuria as the product of military aggression contrary to the letter and spirit of the Paris Pact of August 27, 1928, to which the Soviet is a party, and that all civilized states have pledged themselves not to recognize such a situation *de jure* or *de facto*. To transfer the railway to Manchukuo without China's agreement is, under the present circumstances, tantamount to recognizing an entity which has been internationally condemned as unlawful and rendering aid and assistance to the aggressive party. The consummation of such a scheme is clearly contrary to the Soviet Government's professed desire of peace.

The Soviet claim[4] that "the toiling masses of Russia had paid for the construction of the railway with their hard-earned money" is incorrect, because that is exactly what the toiling masses of Russia did not do. With the exception of supervision and the building of the steel structures, the entire work on the railway was carried out by Chinese laborers who were paid with Romanoff ruble notes, introduced into the country by Russia. After the completion of the railway in 1902, food stuffs and other valuable goods produced by the toiling Chinese in Manchuria were purchased with the same Romanoff notes and were transported to Russia in train-loads, year in and year out until by 1917, when the Tsarist régime which had built the railway, collapsed, about 1,000,000,000 rubles — in notes — were in circulation in North Manchuria. When the Soviets renounced the ruble, the value of

[4] As reported in the London *Times* of May 12, 1933.

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this enormous amount of Romanoff money evaporated. Inasmuch as it is clearly printed on the Romanoff notes that all "the resources of the Russian Empire" are pledged as security, the holders of these notes obviously have a direct claim upon the Chinese Eastern Railway. Therefore, it is the toiling masses of Manchuria who have paid for the Chinese Eastern Railway and consequently are entitled to take over that railway in partial satisfaction of their losses caused by the Soviet's renunciation of the Romanoff ruble.

But these arguments are legalistic. We must recognize the unenviable position of the Soviets. Japan's attitude *vis-à-vis* the Chinese Eastern Railway is such that the Soviets must either surrender their interests in the line or defend it by force. The only other course seems to be to follow America's example by protesting against the encroachment and then let matters take care of themselves, while waiting for a better day to make a reckoning. Realizing, however, that force is still the final arbiter, in spite of all the efforts made at Geneva, the Soviets apparently have decided to choose the first and probably the easiest course.

IV

In selling their interest in the Chinese Eastern Railway the Soviets will also violate one of the cardinal doctrines which has governed the railway from the time of its conception in 1896. According to this doctrine, as clearly stipulated in Article 1 of the 1896 contract, the ownership of the railway should remain in the hands of Chinese and Russians. The Soviets have heretofore attached great importance to this doctrine, because it was their proposal that actually led to the embodiment of the doctrine in the Sino-Soviet Agreement of 1924, which not only gives the right to redeem the railway solely to the Republic of China but even goes so far as to exclude the possibility of China's purchasing the railway with borrowed money. During the negotiation of the 1924 Agreement people were very much surprised by the strenuous Soviet efforts to safeguard against the possibility of China's redemption of the railway with foreign money. The sudden and radical Soviet change of attitude is so much the more significant.

Incidentally, it is largely the provision in Article 1 of the 1896 contract limiting the ownership of the shares of the Chinese Eastern Railway Company to Chinese and Russian subjects,

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mentioned above, that has prevented certain foreign Powers from claiming any proprietary rights in that railway, in spite of the fact (often reported in the press) that the original shares of the Chinese Eastern Company fell into the hands of a certain bank in Paris during the Russian Revolution. The reason is obvious. Because of the above-mentioned stipulation no bank or any other institution can claim legal ownership of the Chinese Eastern Railway Company's shares unless it is Chinese or Russian. Therefore the possession of the Chinese Eastern Railway Company's shares does not at all bring ownership of the railway to that bank.

It has also often been reported that the line was built with money borrowed in Paris and that therefore the French creditors have a claim on it. These reported claims always arouse much interest, because it is an undeniable fact that France had lent a tremendous amount of money to Russia during the years when the Chinese Eastern Railway was being constructed. Indeed, press reports tell us that lately the French Ambassador in Tokyo has actually lodged a protest against the disposal of the Chinese Eastern and called attention to the French interests in that railway.

We do not know on what ground the French protest is based or to what specific French interests the French Ambassador refers. During all his years of study the writer has failed to find any document, either in Chinese, English or French, which throws any light on the frequent reports of French loans to the Chinese Eastern. The original contract of 1896 itself is silent on this point as well as on the railway's borrowing power in general. In the Chinese Eastern Statutes of 1896 certain principles governing borrowings by the railway were set forth. Two methods were authorized. Firstly, the Chinese Eastern, with the permission of the Ministry of Finance, could borrow by the flotation of bonds of which the payment of interest and principal were to be guaranteed by the Russian Government.[5] A second method was to be by the issue of short term certificates. Article 16 of the Statutes states that in case the railway is unable to meet its operating expenses or to pay interest or principal on its debts at the end of any year the Russian Government undertakes to advance to the Railway sufficient funds for meeting such

[5] Article 11 of the Statutes. See C. C. Wang, "Railway Loan Agreements of China," 1921, Vol. 1, page 19.

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requirements. In return for such "advances" the Railway shall issue short term certificates to the Russian Government.

All available evidence, however, seems to show that the only kind of instrument of indebtedness ever issued by the Chinese Eastern was in the nature of short term certificates handed to the Russian Treasury in return for the "advances" made to the railway from time to time or to the various contractors for materials or services. No formal bond issue seems to have been made. By the nature of things, even if bonds were issued, such bonds would have been guaranteed by the Government, as provided in the Statutes, instead of being secured on the Chinese Eastern. Of course some — or even a great part — of the "advances" to the railway might well have come from the proceeds of loans made by France to Russia; but these Paris loans apparently were in the nature of general loans to the Russian Government and were guaranteed by that Government. At any rate, in so far as the Chinese Eastern was not pledged as security for these Paris loans, the French creditors apparently would have about as much claim on that railway as on the Russian battleships sunk in the Sea of Japan, some of which were also built during the time when the Chinese Eastern was being constructed.

V

Moscow's frank and plain disregard of the legal aspect of the Chinese Eastern question, coming so soon after the re-establishment of diplomatic relations between China and the Soviets, produced an immediate and profound reaction among the Chinese people. All the Chinese newspapers, both supporters and opponents of the Nanking Government, were unanimous in their criticism of the Soviet action. Even Mr. Eugene Chen, a consistent advocate of close relations with Soviet Russia, came forward and voiced his opposition. Incidentally, one effect of the Soviet action has been to make the Chinese people less critical of the weakness of the League of Nations. Although it has done nothing to protect the rights of China, the League has at least put on record that those rights exist and ought to be upheld against the aggression of Japan. In contrast to this stand of the League of Nations, the Soviets not only fail to uphold those rights but expressly sell them out for what they can fetch.

But China's protests and all the legal argument and criticism have failed to make much impression on the Soviets. At this

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writing, as negotiations proceed in Tokyo, the only question still to be settled before the conclusion of the deal is the price. The Soviet asks 250,000,000 rubles and Japan bids 50,000,000 yen. Supposing both currencies to be of gold standard, the bid is just about 20 percent of the sum asked. This is quite in line with the fashion of bargaining east of Suez, where, as the proverb says, good manners permit prices to be asked sky-high and to be bid "hellishly" low. Therefore, far apart as are the bid and the price asked, a successful bargain may yet be struck at any moment.

It is not known on what basis the price is asked or the bid is made. Generally speaking, in fixing the price of a railway the existing contracts governing the question must be given first consideration. The original agreement of 1896 provides that the price to be paid for the redemption of the railway should cover the capital cost of construction plus all the losses which the operation of the railway may incur up to the time of redemption. According to this stipulation the price to be paid would be in the neighborhood of 800,000,000 gold rubles, for the capital cost of construction was about 400,000,000 rubles, whereas the accumulated operating losses amount to another 400,000,000 gold rubles.

In other words, the construction of each mile of the Chinese Eastern Railway cost on the average about 400,000 gold rubles at par, which is about three times as much as the average per mile cost of the Chinese Government railways as a whole. If the accumulated operating loss is also to be met, in accordance with the 1896 contract, then what will be paid for the redemption or purchase of the Chinese Eastern will be more than sufficient to build another railway similar to, but six times as long as, the Chinese Eastern. It was rumored at the time that the Tsarist régime purposely spent money lavishly on the railway so as to make it unattractive for China to redeem it. If they had that aim the Russians of the old days certainly accomplished it. As we read the report concerning the efforts of the Tsarist régime to increase the redemption price of the railway alongside of the Harbin report just referred to revealing tactics of Manchukuo in reducing the value of the railway in anticipation of the purchase, we feel fate must have willed that it should be tit for tat.

A second and more up-to-date way of reckoning is to use the earning power of the railway as a basis for estimating the price of the sale; whereas a third method is to fix the price by the

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estimated cost of rebuilding the line. The latest report is that Manchukuo sets store by the former method while the Soviets hold by the latter.[6] Since the Chinese Eastern Railway is badly menaced by the Manchukuo bandits and is operated without any profit, its value on the basis of its earning power must be small. On the other hand, to rebuild the Chinese Eastern today would probably cost something like 120,000,000 gold rubles. Therefore, the price which the Soviets ask is considerably less than the original cost of construction, but is more than double the cost of reproduction; whereas Japan's bid must be based largely on the negligible value of that railway to the Soviets in its present unenviable position. The final price of settlement, we presume, will probably be between 60 and 200 million rubles, with the party which can better afford a break getting the upper hand.

It must be pointed out that the proposed sale of the Chinese Eastern Railway, coming as it did right after the resumption of diplomatic relations between Moscow and Nanking, cannot have arisen out of purely financial considerations. It is obvious to those familiar with Far Eastern affairs that the interest of the Soviets in the Chinese Eastern Railway is of paramount importance to their position in the Far East. Vladivostok, Russia's only port on the Pacific, largely depends upon the Chinese Eastern. The whole structure of Russian economic, cultural and political interest in Manchuria is based on and built along that railway. To take the Chinese Eastern Railway away from Russia is like removing the lead from the pencil so far as Russia's influence in North Manchuria is concerned. The Soviet, more than any other nation, must be aware of all these possibilities, and its declination early in the year of the League's invitation for coöperation in dealing with the Manchuria situation indicates that its decision to sell the Chinese Eastern is the result of matured consideration.

Furthermore, once Japan secures the control of that railway, she will hold all Russia's territorial possessions east of Chita at her mercy. It is evident that the proposed sale must mean that the Soviets are forced to compromise their position in that vast region of Eastern Siberia, which is so rich in mineral, forest and other resources. Whether the boundaries of Manchukuo will extend to the north bank of the Amur, whether the Far Eastern Republic will reappear so as to serve as companion to Man-

[6] London *Times*, July 19, 1933.

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chukuo, or whether the Maritime Provinces will remain Russian as part of a bargain for the Soviets to give recognition to Japan's freedom of action in all Manchuria, time will tell. Whichever event may take place, the actual change of hands of the Chinese Eastern Railway is bound to foreshadow developments as momentous as those which followed the inception of the line years ago. In the meantime the suggestions recently made by some Japanese newspapers (as reported in the *Manchester Guardian* of July 1, 1933) that the Russian Government might sell not only the Chinese Eastern Railway but also the territory of Vladivostok, the Amur Provinces and Northern Sakhalin, seem to indicate the direction of the wind so far as Japan's mind is concerned. Incidentally, the Soviet proposal to sell the Chinese Eastern Railway to Japan proves beyond any doubt that the Soviet fear of Japanese encroachment, although never openly acknowledged, is far more genuine than Japan's repeated and widely broadcasted dread of a Soviet invasion. And the Red Mask, which Japan has manipulated so artfully in scaring the capitalistic nations, is robbed of its magic.

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ECONOMIC CONSEQUENCES OF JAPAN'S ASIATIC POLICY

By John E. Orchard

GEOGRAPHIC position and industrial progress have combined to place within the reach of Japan the economic leadership of Asia. But Japanese policies on the mainland have not always been of the sort to contribute to the attainment of that leadership. There has been a conflict of political and economic interests in which the cultivation of friendly relations with Asiatic neighbors has alternated with acts of imperialistic and commercial aggression. Japan is recognized as the most powerful nation of Asia and her economic development is the most advanced. However, in China, in India and in other parts of the continent she is not accepted as a leader but is regarded with increasing suspicion and animosity. Boycotts and tariffs are barring Japanese goods from Asiatic markets — and these markets are essential to the continued expansion of Japanese manufacturing.

Of the amazing changes that have occurred in Japan since the country was opened to foreign intercourse, none has been more striking than the development of manufacturing industries. Stimulated in the earlier years of the modern period as the one possible defense against the western nations, industrialization has come to be regarded as the most promising solution to the problem presented by a population which has doubled since 1873 and which is increasing at the present time at the rate of approximately one million per year. There is no outlet in agriculture: the area of the Japanese islands is limited and only 16 percent of the surface is arable.

Manufacturing has therefore been encouraged, and though Japan still remains essentially agricultural the progress made has been remarkable. There are now about two million workers in Japanese factories. Japan has become an important manufacturer of cotton textiles, raw silk, rayon, electrical equipment and numerous other items. She now ranks seventh among the nations in number of cotton spindles, and only the United States and the United Kingdom consume a greater quantity of raw cotton.

Japan's industrial progress has been accomplished, however, in the face of severe handicaps. She possesses a supply of labor,

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unskilled but cheap; she has had the benefit of all the mechanical advances made by Europe and America in the century and a half since the industrial revolution; and the Japanese Government has provided protection and liberal financial aid to the new industries. But there is in the country a scarcity of essential raw materials. Coal is limited in quantity, very little of the reserve is suitable for the manufacture of a metallurgical coke, and costs of mining are high, due to the depth and the thinness of the seams. In a comparatively few years Japan will be faced with an actual shortage of fuel. Though conditions in the islands are highly favorable for water power, the entire potential supply, if developed, would be little more than the amount of power now supplied from all sources. Again, there is practically no iron ore in Japan proper and the reserves in Korea are not large. Other minerals are of minor significance. Japanese textile mills are dependent almost completely upon the United States, India, China and Egypt for raw cotton and upon Australia for wool. The one raw material for manufacture produced in quantity in Japan is raw silk, and though it is the basis for a weaving industry, over 80 percent of the annual output in recent years has been exported from the country in its raw form.

II

With the progress of industrialization, Japan has needed larger and larger imports of raw materials. In addition, she has been an importer of capital goods in the form of machinery and factory equipment. Since 1875 the value of Japanese imports has increased more than fifty-fold, the principal items at present being raw cotton, wool, petroleum, iron ore, timber and machinery. More than 70 percent of the imports are raw materials or goods intended for further manufacture. These imports must be paid for. And since Japanese investments abroad are small, and since in Japan there has been only a limited development of services such as shipping and insurance, the payment must be in the form of the export of commodities.

The increase in commodity exports since the early years of the modern period has been phenomenal, but it has not been sufficient to keep pace with the mounting volume of the imports. Year after year, with only occasional exceptions, imports have greatly exceeded exports in value. It thus has been necessary to meet the accumulating adverse balance by government and private bor-

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rowing abroad. The World War provided a fortunate interlude in Japanese trade. With the withdrawal of the European countries from the Asiatic market, Japanese exports boomed. In the four war years the favorable commodity balance was sufficient not only to pay off all of Japan's accumulated foreign indebtedness, had she so desired, but to establish a substantial surplus credit abroad.

Since the close of the war, however, exports have declined, imports have increased relatively, and a tremendous unfavorable balance is accumulating. It presents Japan with what is perhaps her most serious problem. Though an adverse commodity balance is not in itself a symptom of an unhealthy economic condition, especially in a newly developing country, the international payments cannot be met indefinitely by foreign loans. There must be a reasonable prospect that exports will eventually make repayment possible. The extremely low prices quoted on Japanese securities in the New York and London markets, and the depreciation of the yen to 40 percent of its par value following the abandonment of the gold standard, are evidences of a weak international financial position.

To improve this position it becomes highly important to increase Japanese exports through the expansion of the markets for Japanese goods. Other countries, faced with the dilemma of exports that can be paid for only by piling up in foreign markets credits which are uncollectable because of artificial restrictions on imports, may play with the idea of reversing the orthodox economic thought with regard to world trade and adopt restrictions upon exports. But the situation in Japan is very different. Japan is far from being a self-sufficient country. She is dependent upon imports for many of her requirements. Some adjustments in the import trade are perhaps possible through the curtailing of luxuries, but if manufacturing industry is to grow there must be an increase in the imports of raw materials and there is every indication that with the increasing population it will be necessary to bring in larger quantities of food. Japan's difficulty will not be to collect upon her exports but to increase those exports to provide payment for her essential and mounting imports.

Japan's export trade is not complex, like the trade of the United States, Great Britain, or any of the leading European countries. It is extremely simple, both in its list of important commodities and in its principal markets. Thus, since the beginning of

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the modern period, raw silk has regularly constituted from 35 to 40 percent of the value of all exports. In the earlier years a variety of items made up the remainder of the Japanese trade — tea, aquatic products and copper. But in more recent years the trade in these has declined and their place has been taken by textile manufactures — cotton, silk and rayon textiles and clothing. This group of commodities now constitutes more than 33 percent of the value of the export trade. Not only is the list of exports limited, but they go to a very restricted market. Of the raw silk, 95 percent of the export (some 75 percent of the total output of Japan) goes to the United States. The manufactured textiles go mainly to the continent of Asia. These two markets in recent years have taken over 80 percent of Japan's exports.

The dangers of having so restricted a list of exports and so limited a market are apparent. As a result, Japan has been striving to develop trade in other commodities and in other parts of the world — South America, Oceania, Africa and even Europe. But, despite all her efforts, the concentration in commodities and in markets is becoming even more pronounced. For example, in the five-year period ending with 1885, the United States, China and India took 58 percent of the exports of Japan; in the period from 1901 to 1905 the share of those three markets had increased to 65 percent; and in the five years ending with 1932 it had grown to 73 percent. In the earlier years of the twentieth century, 59 percent of Japan's exports to the United States were raw silk; at the present time raw silk accounts for nearly 82 percent of that trade. Textiles are assuming an increasing importance in Japan's exports to the China market.

For many years to come Japan will continue to depend, as in the past, upon two markets, the United States and Asia. Asia holds out much the greater promise. The American trade, as indicated above, has been made up mainly of the one luxury item, raw silk. Japan already supplies most of the American consumption, and an increase in the trade can be accomplished only by an increase in the total American demand arising from an increase in population, a substantially higher standard of living among the American people, or a lower price for the raw silk. Meanwhile, there is the threat of competition from a steadily improving rayon, and from a Chinese silk industry rejuvenated after the attainment of political stability. In the case of all other products Japan labors under a serious handicap in America and

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in fact in all Occidental countries, with their alien cultures and their highly advanced industrialization. Japanese manufacturers almost inevitably must seek to satisfy demand through imitation. Distances to the American and European markets are so great that it is difficult, if not impossible, for Japan to keep pace with changing tastes and styles. It is to Asia that Japan must turn for any substantial expansion of her trade.

III

In the Asiatic market, Japan possesses many decided advantages which place her in a preferred position above the manufacturing nations of Europe and America. Her culture gives her an understanding of Oriental needs and tastes. She is situated near the mainland. Concentrated near the coasts of southeastern Asia and in the adjacent islands live approximately one billion people, or more than one half of the world's population. It is true that the purchasing power of the region is low. The people are mainly dependent upon agriculture of a subsistence type, and their earning power is small. There is little surplus for trade. In 1929, the imports of China, a country with a population of probably 400,000,000, were valued at only $820,000,000 gold; and in the case of India, a country with 350,000,000 inhabitants, they amounted to only $1,173,000,000 gold. For the same year tiny Netherlands, with a population of 8,000,000, imported goods for consumption within the country to the value of $1,106,000,000 gold.

In recent months Japanese spokesmen, attributing American sympathy with the Chinese cause to a hope for trade advantage, have sought to convince the American public that China is not and never can be an important market for American goods because of this low purchasing power. There is little question, however, that the Asiatic market, and especially China, is the world's remaining market of greatest promise. At present, imported goods are consumed mainly in the port cities and along the rivers or the few railroads which penetrate inland. The people of the interior are mainly self-sufficient. They weave on hand looms most of the cloth which they wear and even spin yarn from locally grown cotton. Other needs are few and are met by the old handicraft industries to be found in every Chinese village. But as transport improves it will be more and more difficult for these industries to withstand the competition of factory-made goods. Transport

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will also permit a more effective utilization of China's resources, as was the case in Japan in the years following 1870, and the purchasing power of the people should be increased. In fact, the history of Japan suggests a probable trend of development in China. China now imports each year goods to the value of $2, gold, per capita. In the period from 1876 to 1880, the Japanese per capita imports averaged only 50 cents, and they did not equal the present Chinese figure until 1896 or 1897. Even in India, under British control for many years, the hold of the domestic workshop industries is amazing. It seems highly probable that in the next century there will occur in Asia a greater relative expansion of foreign trade than in any other part of the world.

But low purchasing power is not the only barrier to the development of the Asiatic market. Disturbed political conditions hamper economic growth and make impossible any systematic encouragement of trade. It is a market, moreover, in a large part of which there is no stable currency. The use of silver, which fluctuates in price, introduces a highly speculative element into trade with China. Further, the Asiatic market to a considerable extent is under the political control of European Powers. Great Britain, France and the United States all consider their colonial possessions as a market for their own manufactures, and as a result the tariffs of India, Malaya, French Indo-China and the Philippine Islands give preference to the goods of the mother country.

Many of the countries of Asia, both sovereign states and dependencies, have industrial ambitions of their own and give active encouragement to manufacturing. China and India, in particular, possess advantages for industrialization in some respects superior to those of Japan. Their potential labor supply is large and cheap. Both countries grow cotton; China has one of the world's richest reserves of coal; and India has huge deposits of high grade iron ore and a fair supply of coking coal. In both countries the greatest development has taken place in those industries upon which Japan is most dependent, namely cotton spinning and weaving. China now has four million cotton spindles in her mills and in the larger cities there are numerous factory industries. In the Indian mills in 1932 there were 9.3 million cotton spindles or about 1.7 million more than there were in Japan. It was proposed recently that cotton spinning and weav-

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ing mills should be moved from the Netherlands to Java to meet the competition of Japanese goods.

To protect their developing manufactures the Asiatic countries are resorting to tariff barriers. The movement toward tariffs in India in recent years, in so far as it has been encouraged from Great Britain, has been for the protection of a colonial market; but as Japanese goods, especially textiles, have flooded the bazaars and seriously cut in upon the market of the Indian mills there has been a movement inside India also in favor of protective tariffs. Tariffs have been increased. They have been general in their provisions; but in practice they have been directed against Japanese goods, since the higher rates apply to kinds and grades of commodities supplied mainly by Japan. In March 1933 the Indian tariff was increased from 30 percent ad valorem to 50 percent on silk and artificial silk piece goods, a type of cloth that has been shipped from Japan to India in rapidly increasing quantities. In 1930 the rate on cotton piece goods of British origin was established at 15 percent and on non-British goods at 20 percent. By a series of amendments and enactments, the last of which went into effect in June 1933, the rate on non-British goods has been raised to 75 percent while the rate on British goods has advanced to only 25 percent.

Last April the necessary six months' notice of the abrogation of the Indo-Japanese trade agreement was given by the Indian Government, an action presaging still further increases in the Indian duties on Japanese goods through the application of the anti-dumping law of April 1933. The announcement of the Indian Government has been received with considerable alarm in Japan, since the trade with India has increased in importance in recent years. In 1927, 8.4 percent of Japan's total exports were sent to India; in 1932 the ratio had increased to 13.7 percent.

The abrogation of the trade treaty is the culmination of an antagonism which has grown up in the Indian market as Japanese exporters have attempted through an aggressive sales policy and drastic price cutting to make good their losses in China due to the boycott. Feeling has been bitter. Charges of dumping have been made, and in recent months criticism has centered upon the effects of the depreciated yen. The Japanese, though admitting the advantages of the depreciated yen, deny that there has been dumping. It is believed in Japan that the British Government, acting upon the insistence of Lancashire, is responsible for the

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action of the Indian Government in abrogating the treaty. Popular resentment in Tokyo has taken the form of hostile posters demanding the expulsion of the British from Asia. The Japan Cotton Spinners' Association voted in June 1933 to place a boycott on further purchases of raw cotton from India.

The friction between Japan and India is but one phase of a British-Japanese economic war which has become particularly severe in recent months because of Japanese competition. Trade restrictions directed against Japanese products have been enacted or demanded in every corner of the British Empire. Great Britain has placed a duty of 100 percent on rubber boots and shoes. The Malayan and Egyptian tariffs upon low grade textiles previously obtained from Japan have been increased. Notice of the abrogation of the trade pact between British West Africa and Japan has been given, and it has been reported that similar conventions are to be abrogated by East and South Africa. A heavy tariff is being demanded in Australia on cotton towels, ammonium sulphate, porcelain, electric lamps and rubber boots and shoes — all important items in Japan's trade with Australia. There has been agitation against Japanese textiles in Trinidad, Jamaica and British Guiana. The Federation of British Industries has presented demands to the Board of Trade for further protection against cheap Japanese goods, and Japanese competition was the subject of discussion in the closing hours of Parliament in July.

The Japanese industrialists have received news of these restrictions on their trade with the threat of a boycott not only against Indian cotton but against all Empire products, including wheat, Canadian lumber, Australian meat and wool, Indian pig iron and British machinery, and also with the threat to displace British goods in markets not under the British flag. Calmer heads, however, are opposing any such forms of retaliation and are warning that the continuation of too aggressive trade tactics may produce disastrous results. They are even urging the control of export prices, either through the government or through trade associations, to eliminate the charges of unfair competition now being made in foreign markets.

The obstacles that are appearing in the British markets will perhaps serve to redirect Japanese attention to the possibilities of China as an outlet for Japanese manufactures. The Chinese tariffs under the tariff autonomy attained in February 1929 have been moderate, but there has been an upward trend.

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Japan did not recognize tariff autonomy for China until the signing of the Sino-Japanese tariff treaty of May 1930. In that treaty, China agreed to limit tariffs on specified commodities, including cotton cloth, aquatic products, wheat flour and certain miscellaneous manufactures. In effect, the treaty gave important trade privileges to Japan quite out of reach of any most-favored-nation clause, since the items included are obtained by China mainly from Japan and constitute the major part of Japan's exports to China. On February 17, 1933, a spokesman of the Chinese Foreign Office announced that the Chinese Government did not intend to renew those portions of the treaty giving preference to Japan. The treaty expired on May 15 and a week later a new tariff schedule became effective increasing very substantially the duties on those items that had been favored in the treaty.

Obviously, in the face of expanding industrialization and mounting tariffs, it will become increasingly difficult for Japan to import raw materials from China or India, fabricate them in her factories, and then send back the finished goods to pay a tariff and compete with goods produced in local factories from local raw materials. Such trade cannot depend upon any advantages of cheap labor, for wages in China at normal exchange are from 40 to 50 percent and in India 75 percent of wages in Japan. Japanese competition must rest rather upon the greater efficiency of her labor, upon greater skill, and upon superiority in factory management and equipment. The economic outlook for Japan is by no means hopeless. She has a decided lead over the other countries of Asia in technical training and in the conduct of industry and finance on a modern scale, and she should be able to maintain that lead. As industrialization spreads, the earning power and the standard of living of the Chinese and the Indians should rise. Greater quantities of manufactured goods should be demanded and imports should increase. Japan, above all other countries, is in a position to supply those imports, providing her industries prove to be sufficiently sensitive to the changing requirements of regions where industrialization is under way and providing friendly relations with the countries of the continent can be established and maintained. It is upon that proviso that the economic future of Japan would seem to depend. There is little prospect of developing and maintaining prosperous trade between antagonistic peoples.

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IV

A considerable body of opinion in Japan recognizes the vital importance of the Asia market. Economists and the more liberal industrial and political leaders have opposed policies that might antagonize the continental peoples. This conciliatory influence might have been much more effective in Sino-Japanese relations had Japan's interests in China been solely economic and had they not been complicated by political and strategic considerations. Japan has always feared lest a strong power should establish itself on the adjacent sections of the mainland. The limitations of the Japanese islands have also been cause for anxiety. These facts have frequently diverted attention from the effort to secure markets to the possibility of obtaining political control over additional territory and resources. During most of the modern period the political and strategic motives, rather than the purely economic, have dominated. They have shaped and guided an aggressive policy, but though this has achieved many of its immediate aims it has alienated and antagonized neighboring countries.

Japan's first great opportunity for economic leadership came with the defeat of Russia in 1905. The Japanese victory caught the imagination of all Asiatics. The invincibility of the west had been questioned for the first time. The moment was auspicious, for in the years immediately previous there had been not only the Russian advance in Manchuria, but Germany, Great Britain and France had also acquired control over Chinese territory. The complete partition of China seemed imminent. Japan in daring to challenge one of the imperialistic European Powers came to be regarded as the champion of Asia against the west. Enthusiasm for Japan was particularly keen in India, where an independence movement was taking form. Even in China great respect for Japan was evident despite the defeat which China had suffered at her hands a few years earlier. Chinese students in large numbers went to Japan to study in schools and factories.

All this popular acclaim provided a favorable basis for political leadership and might easily have been directed toward securing a preference for Japanese goods, especially as the countries of Asia were almost as conscious and resentful of their economic dependence upon the Occident as they were of European political penetration. As a matter of fact, both China and India, perhaps

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encouraged by the example of Japan's success, were defying the west openly at that very time, not through any resort to armed force, it is true, but by an attack upon trade. In China an economic boycott against American goods had been begun in May 1905 in protest against the application of the Chinese Exclusion Act; and in August of the same year the first boycott against the British was put into effect in India. There could scarcely have been a combination of circumstances more favorable for Japanese trade expansion.

There soon was reason to doubt, however, whether Japan had acted as the savior of China. By the Treaty of Portsmouth, signed on September 5, 1905, Russia was forced to surrender the greater part of her gains in Manchuria. But they were transferred not to China but to Japan. There was disappointment in Asia, and enthusiasm for the victor gave way quickly to suspicion. Japan came to be looked upon as merely another western nation equipped with the mechanical strength of the west and motivated by the same selfish imperialistic designs, but more dangerous because she was close at hand.

The World War presented to Japan a second major opportunity for attaining both economic and political leadership in Asia. Imports from Europe and America were restricted or cut off almost completely, and for the period of the war Japan enjoyed a virtual monopoly of the trade of Asia and the South Seas. But in the rush to fill orders her traders used methods that were short-sighted. Insufficient attention was given to quality and to the value of a reputation for business integrity. Japanese manufactures came to be regarded as inferior goods, a term that has been used since then in Chinese boycotts to designate specifically the products of Japan. At the close of the war, the consuming markets for the most part returned to the manufactures of Europe and America. Japan in 1918 had supplied 47 percent of China's imports; in 1921, her share had been reduced to 26 percent, approximately the percentage supplied in 1914.

Japan also alienated the confidence of the rest of Asia by the seizure of Shantung, by her political demands upon China beginning with the famous Twenty-one Demands in 1915 and followed by numerous secret treaties in 1917 and 1918, and by interference in China's internal politics. Finally, in September 1931, came the positive action by the Japanese military in Manchuria, followed a few months later by the attack on Shanghai.

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China has been unable to resist the demands of Japan with force, but each act has been met with economic reprisals and an attack upon trade. Since 1915 there have been seven major boycotts against Japanese goods. There is considerable controversy regarding the significance of the boycott as a defensive weapon and it is difficult to measure its effects with any accuracy, since they are usually obscured by such circumstances as those which interrupted European trade — a world depression, a rise or fall in the price of silver, or a depreciated currency. However, a careful analysis of the boycotts against Japan in the light of attendant conditions reveals that each has resulted in a substantial reduction in Japan's trade with China. Though Japanese exports have experienced a decided recovery in the months intervening between the boycotts, there can be little question that they would be at a higher level today if they had not been subject to repeated interruptions. Good will is recognized as a valuable asset both in domestic and foreign trade, and each of Japan's conflicts with China has left in its wake a bitterness that has been difficult to counteract. Not only have the boycotts brought a loss in trade to Japan, but they have acted as a stimulus to industrialization in China and have thus encouraged a permanent competition to Japanese manufactures. Many of the modern Chinese industries were established during periods when supplies from Japan were interrupted. The making of foreign-style umbrellas, matches, electrical supplies, enamel ware, rubber shoes, paper and knit goods, and the spinning and weaving of cotton textiles, were all either started in China or greatly expanded during periods of boycott. Some of the boycott organizations have actually collected funds to establish manufacturing industries to replace Japanese goods; and exhibitions of domestic manufactures are a part of the boycott propaganda.

Each succeeding boycott has shown an increasing effectiveness. The present boycott began in the summer of 1931 with the massacre of the Chinese in Korea, but it did not become a significant movement until after September 18. In the twenty-one months ending with May 1933, Japanese exports to China proper and Hongkong, despite the depreciation of the yen, declined by 213 million yen, or by 47 percent in comparison with previous months. In the same period, Japanese exports to the other countries of the world increased by 13 percent. In south China there has been an almost complete stoppage of trade with Japan. The

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burden of the boycott has fallen especially on Japanese business in China. Many retail shops have been forced to close their doors; mills have shut down; shipping has been crippled, with some vessels tied up and others operating almost empty of passengers or cargo. It was reported in the Japanese press that Mitsui Bussan Kaisha, the great Japanese trading concern, had determined to withdraw its representatives from China proper because of the interruption of trade. The enforcing of the boycott will be facilitated by a law which went into effect on August 1, 1933, requiring that the country of origin be stamped on all goods imported into China.

V

It is true that losses in the trade of Japan with China proper have been offset to some extent by gains in Manchuria. Japanese political control has been greatly strengthened and expanded, and Russia, so it would appear, has been eliminated as a threatening political force in eastern Asia for the time being at least. Japan has gained control over the agricultural and mineral resources of Manchuria and in the event of war will be able to draw upon them either by way of the South Manchuria and Korean Railways or by way of the newly constructed Kirin-Tunhua-Rashin Railway. This control does not necessarily solve Japan's economic problems in time of peace. There is little prospect that Japan's crowding population will find relief through migration to Manchuria. Under the new régime Japanese will go to the cities to participate, as they have in the past, in administration, trade and manufacture, but no one in Japan outside of the military group seems to place much hope in colonization on the land. The climate is too rigorous for the Japanese and there is the competition of the 32 or 33 million Chinese farmers in Manchuria with their lower standard of living.

Manchuria will supply grain, beans and meat to Japan, but Japan has never in the modern period faced an actual shortage of food. The problem has been and will continue to be the provision of export credits in sufficient volume to pay for the necessary imports of food, whether they come from Korea, Formosa, Manchuria, Indo-China or Siam. Markets remain Japan's primary economic requirement.

The coal reserves of Manchuria, as far as they are known at present, are somewhat less than the reserves of Japan proper, but

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they will be an important supplement to the Japanese supply even though they include little coal of coking quality. The coal is mined cheaply, so cheaply that it can undersell Japanese coal in the Tokyo market. Even before September 1931 the Japanese mine owners, unable to meet the competition, had forced a curtailment of imports from Manchuria.

The tonnage of Manchurian iron ore is large, but the quality is so low that much of the estimated reserve would not be considered as ore in the United States. Costs of production at the Anshan furnaces are high and the pig iron is not satisfactory for the manufacture of quality steel. Stocks have been accumulating at a time when iron was being imported from India and sold in Tokyo despite the long haul. An attempt is being made to bring pressure upon importers and to persuade them not to handle the Indian pig iron, thus eliminating it from the Japanese market. The Manchurian ore may serve to make Japan self-sufficient in the event of war, but in time of peace it may easily become a burden upon Japanese industry because, unless costs of production can be lowered appreciably and quality improved, it will be more economical for Japanese consumers to continue to depend upon the pig iron of India.

Considerable thought has been given by the Japanese to the economic development of Manchukuo. It was at first proposed that there should be a development of manufacturing industries and that an economic bloc should be established between Japan and Manchukuo, without tariff barriers; but immediately the objection was raised in Japan that Manchurian products, both raw materials and manufactures, would offer competition which Japan's established industries could not meet, and that Japanese farmers, workers and capitalists would be the losers. For the time being, the economic bloc has been abandoned and attention is being given to a plan to develop in Manchukuo only such industries as will not compete with Japanese industries, a policy that obviously will hamper economic growth in the new state.

It has been argued that the control of the Manchurian market will compensate Japan for the loss of trade to China proper. It is probable that if peaceful conditions can be established and maintained in Manchuria, the trade with that region will increase; but unless she makes her control complete by repudiating the Open Door, Japan has no assurance of holding that market; and even if she had a monopoly there it would seem that China

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with its area of two million square miles and a population of 400 million presents richer possibilities for trade expansion than Manchuria with 440,000 square miles and 34 million people.

With events occurring so rapidly, it is extremely hazardous to venture any opinion regarding the likely trends in Sino-Japanese relations. But three possible courses suggest themselves. (1) The present situation may continue, with Japan in control in Manchuria either through a nominally independent Manchukuo or through open annexation. As China is unlikely to accept this loss of territory, resistance may be expected through every means at her disposal — the boycott, the inciting of disturbances in Manchuria, and raids upon the borders of the areas under Japanese control. A heavy military burden will be carried by Japan; and there can be little hope of any revival of Japanese trade in the remainder of China. (2) In an effort to terminate so unstable a situation, Japan may revert to military activities beyond the borders of Manchukuo, either with the intention of forcing China to acquiesce in the present status of Manchuria or for the purpose of adding territory to the new state or of creating buffer states. This course might easily lead to the conquest of a large part of China. Such a development would be opposed by the other Powers — perhaps effectively and perhaps not. Certainly the difficulties encountered by Japan would be great, the expense would be enormous, and the economic dilemma which Japan now faces in Manchuria would be duplicated on a larger scale: for an industrialized China would offer serious competition to Japan, while a disrupted and impoverished China would bring no profit and most likely would be an expense. (3) Finally, Japan may decide that the political and strategic gains of her present Asiatic policy are illusory and are being purchased at too great a price. Imperialism may retreat. There are no visible indications of such a reversal of Japanese policy at the present time. But conceivably it may be forced upon Japan by the pressure of world opinion, by continued losses in foreign trade both in China and in other markets, by a financial collapse under the present heavy expenses, or by a domestic political upheaval.

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KOSSUTH AND THE TREATY OF TRIANON

By Oscar Jászi

IN PRESENTING the historical documents from which I am about to quote, my intention is not to throw fresh light on the interesting period following the collapse of the Hungarian Revolution in 1848, but to refute an opinion held by many statesmen and politicians concerning the present international situation of Hungary and her neighbors. Faced with the social and economic difficulties of the post-war era, these persons assert more and more emphatically that the Treaty of Trianon was simply a blunder, part of a *vae victis* peace unscrupulously imposed on the defeated nations, a work of sheer stupidity and incompetence which had no foundations in historical antecedents or the social and ethnological framework of the former Austro-Hungarian Monarchy. This judgment is supported by the fact that every war is a brutal and incomplete solution of the conflict of blind and selfish interests. Furthermore, it cannot be denied that the new equilibrium created in the Danube valley by the World War has imposed unnecessary injustices upon the vanquished or that, by splitting up large territories which formerly enjoyed the advantages of unified economic life, it has led to disastrous conditions even in the victorious countries themselves. Yet the question remains, whether the outcome of the World War should be regarded as purely arbitrary and capricious or whether it had a natural logic which was stronger than the calculations of the diplomatic game.

The answer given to this question is of the highest practical importance. If we affirm the first alternative a new world war is inevitable, for no international equilibrium can be maintained except on the foundation of the necessities of the peoples involved, and as the new states emphatically refuse a change of this equilibrium, the *ultima ratio* can only be war. Whereas if the second alternative be true it may be hoped that a better mutual understanding and a more enlightened statesmanship will be able to correct in a peaceful way the errors of the peace treaty and restore that economic unity without which the new states created or substantially modified by the last war cannot exist and progress.

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I

In this controversy, so obscured and poisoned by the unscrupulous propaganda of all factions, we find valuable light in certain letters between Louis Kossuth, the leader and idol of the Hungarian Revolution of 1848, the most intransigent exponent of the national Magyar cause, and another Hungarian patriot, not less enthusiastic than his leader, Count Ladislas Teleki, who during the revolution was on an important diplomatic mission to Paris. These letters, buried until now in the archives of the National Museum of Budapest, reflect the ideas and plans of the leaders of the Hungarian emigration after the catastrophe of Világos. All the documents in question are from the year 1850, when Kossuth, having fled from Hungary, was living at Kutahya under the protection of the Sultan, while Count Teleki was at Montmorency, trying to influence his Paris and London friends to favor Hungary's liberation from the Hapsburg yoke which had been reimposed by the Tsar's army in the previous year.

The central theme of the whole correspondence is a discussion of how and by what means Austria could be defeated and the liberty of Hungary restored. Count Teleki, close to the liberal and revolutionary public opinion of Paris, in constant touch with Rumanian, Slav, and Polish emissaries, and especially influenced by Prince Adam George Czartoryski, became convinced that nothing serious could be done before the attitude of the Hungarian revolutionaries toward the claims of the other races in Hungary had been clarified, especially those of the Slavs and Rumanians. All the clear-sighted elements of the Hungarian emigration had come to realize more and more clearly that the Hungarian cause had been lost principally because of the opposition of the non-Magyar races, whose claims for equality had been repudiated by the revolutionary Magyar nobility and whose dissatisfaction was shrewdly fomented by the Viennese camarilla. It was true that three weeks before the final collapse at Világos, a very liberal nationality law had been introduced by Bartholemew Szemere, Minister of Interior of the revolution, who cautioned the still recalcitrant elements of the national assembly that "the aristocratic conception against the claims of the other nationalities, if the nation did not abandon it at the last moment, would destroy Hungary." But the spirit of reconciliation had come too late, and now the Hungarian emigration stood in the shadow of a

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bloody civil war. Teleki, in the name of the western emigration, urged Kossuth to make a declaration concerning the claims of the non-Magyar nationalities. Certain passages of the letters indicate that western public opinion accused Kossuth and his friends of continuing the old aristocratic policy against the national minorities and of maintaining the reactionary conceptions of the antiquated jurisprudence of the *Codex Werböczyanum*, that palladium of feudal Hungary. Teleki expressed the opinion that only a broad-minded federalism of Hungarians with Serbs and Rumanians in Hungary could create a new atmosphere and unite all the races, in Hungary and outside, in a combined effort against Hapsburg absolutism.

II

Kossuth, in his rejoinder to these suggestions, emphasized the fact that though he favored federation with the Serbs and Rumanians, other circumstances must be carefully weighed also. The French would never, out of pure sympathy, give material help to the Hungarian cause. Even a new revolution in France would not make French sympathies more real. Furthermore, no successful war against Austria could be imagined as long as Russia was not engaged in a vital war of her own with Turkey. The consent of England to this whole scheme would be absolutely necessary. Again, since Serbia and Moldavia-Wallachia (the Rumanian homeland) were provinces under Turkish suzerainty, it was evident that no plan of confederation would be possible until the Porte explicitly favored such an alliance of the Serbs and Rumanians with the Hungarians. Consequently, the planned confederation could only be a political alliance under the hegemony of the Sultan. Kossuth took this plan so seriously that he made an informal proposal to the Porte along this line, saying that if Turkey would engage Russia in war, and if Austria should help Russia, and if, further, the Sultan would give him fifty thousand soldiers with which to enter Hungary and would sanction the uprising of Serbia and Moldavia-Wallachia, he — Kossuth — "would recognize on a federal basis his suzerainty," and would "guarantee with his head that his action would be ratified by the Hungarian people." The Porte did not answer this proposal; but Kossuth regarded it as an eventuality to which he could later return.

Today this appears highly strange and adventurous; but from

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the point of view of Kossuth, in 1850, it was perfectly logical. The crushing of Austria at that time would have meant either a Turkish or a Russian overlordship of Central Europe. "If there were no other choice than between a Russian prince as king of Hungary and a confederation with a nominal Turkish suzerainty," wrote Kossuth to Teleki on June 15, 1850, "I would without doubt choose the latter. It would not absorb us; the other would. In the future it would bring freedom; the other, servitude." There could be no other possibility of defeating Austria: "History is based not on sympathies but on interests. We can only be helped by a European or at least by a Turko-Russian war. Nor will either be undertaken out of sympathy for us; either we shall be called to action when it is in their interest, or we shall have to use circumstances which have not arisen out of sympathy for us."

III

Here Kossuth turns to the other aspect of Teleki's thesis, namely that no federation between Hungary, Serbia, and the Rumanian provinces would be possible as long as Hungary did not conclude an internal federation with her own Serbian and Rumanian subjects. Kossuth was deeply aroused by this assertion and scrutinized it very sharply. He says: "Count Teleki should be kind enough to write me clearly what he understands by 'internal federation' . . . The Rumanians[1] know very well what they understand by it: they mean that we should detach Transylvania and the counties of Krassó, three-fourths of Bihar, Szathmár, and Mármaros from Hungary and make of them a Rumania which would kindly promise to confederate with us, preserving the right to coalesce with Wallachia and Moldavia, their natural relatives . . . Thank you! This I could never, never accept, because the natural consequence of this action would be that in the north we should give fifteen counties to the Slovaks, in the south the counties of Torontal, Bács, Baranya, and half of Zala to the Serbs, a northern strip to the Russians, a western to the Germans . . . that is, we should kill the Magyars. Even Austria does not do more than this. Never, for such a result, shall I spill my nation's blood."

Kossuth was sure that the Rumanian leaders would not be satisfied with less of a concession than this. "I spoke with them in

[1] Kossuth always used the term "Wallachians" (Oláhok), which was then in general use but which later became derogatory.

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Broussa. I told them that with a good territorial division, which above all would take into account the background of nationality, I wish to guarantee the departmental and communal autonomy of every race, its national life — all, that is, which reasonableness, equality, and brotherhood can claim. Yet they were not satisfied; they even found fault with our not having erased the name of Hungary as the title of our Fatherland; for it is inhabited by several nations — that is, they wish me to consent, following the principle of brotherhood and equality, to Translyvania's becoming Rumania; and since I, a man of liberty, cannot wish the Hungarian language to rule the Rumanians, therefore I should agree that the Rumanian tongue should rule the Magyars, Seculi, and Saxons of Transylvania." In a very embittered mood, Kossuth complains that his Paris friends use the idea of federation in a very vague sense, whereas — he repeats — it has a very definite meaning for the Rumanians and the Serbians, "who openly asserted what they have in mind, the annexation of the Vojvodina (Bács, Bánát, Baranya, Szerém) to Serbia, and the annexation of Transylvania, a part of Bánát, and the counties of Arad, Bihar, Szathmár, and Mármaros to Wallachia — against which I shall fight as eternally as I have fought and shall fight against the plans of Austria, which are not a bit more deadly than these."

At the end of this memorandum, he urges his friends to put two questions to those in Paris who "under the pretext of equality incite them to the annihilation of the Hungarian nation: 1. Ask the Rumanians what they think concerning those 125,000 Hungarian families who are living in Moldavia, which are more of the total Moldavian population than the Hungarian-Rumanians are of the total population of Hungary. 2. There are three million Jews living in Polish territories. I beg to ask Prince Czartoryski whether they will allow free use of the Jewish tongue in the parliament of the Polish nation when it has been liberated, and whether they are inclined to govern the Jews in their Jewish tongue. It seems to me that such questions will suffice to demonstrate the absurdity of certain insinuations."

IV

To this criticism of Kossuth, Count Teleki answered in a rather nervous tone, accusing Kossuth of taking an arbitrary attitude about problems which only the future could determine. Nevertheless he continued his argument, saying that his standpoint with

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regard to the nationality problem was not very remote from that of Kossuth, the only difference being that "beyond those concessions in the village, county, judicial, ecclesiastical, and scholastic fields [which Kossuth had in mind] I would also grant to the Rumanians and Serbs a provincial assembly to settle their affairs within the limit of the law. For it is exactly this collective national existence for which the Serbs and the Rumanians are longing. Yet their ties to the common legislation and government would continue with the necessary caution concerning the delimitation of the Vojvodina and the Rumanian district, that other nationals, as far as possible, should not come under Serb and Rumanian rule. To obtain this would not be so difficult as many persons imagine, for here is no question of the delineation of countries independent of each other, and therefore a complete rearrangement of the territories is not necessary." In a later letter, the Count emphasized that there was no need for them, exiles as they were, to draw up a detailed future constitution; only the general principles of a new nationality program should be laid down. For the present, it would be enough to declare that "as soon as we can act against tyranny, and when we are in a position to do so, we shall immediately convoke a constitutional assembly to which every nationality, without exception, according to its numerical strength . . . shall send representatives; and then we shall leave to this assembly the settling of all problems, even the determination of the language which will be spoken in the assembly." The prime aim of this assembly would, according to Teleki, be to elect a committee of the various nationalities to elaborate a federal constitution in the spirit of equity and brotherhood.

In his reply, Kossuth subjected Teleki's new suggestions to sharp criticism. He especially attacked the idea of a provincial, territorial autonomy for the Serbs and the Rumanians inside of the Hungarian territory. "You have surely not forgotten that what you give to these nations you must also give to the Slovaks, to the Ruthenians, and to the Germans. Would you please, with the population statistics of Fényes[2] in your hand, look at the map of our country and try to realize what your idea concerning the provincial delineation of our nationalities would mean. However we may beautify this plan, *it would mean the dismemberment of Hungary into six parts*,[3] and this again would mean the political

[2] The leading statistical authority of the period.
[3] My italics.

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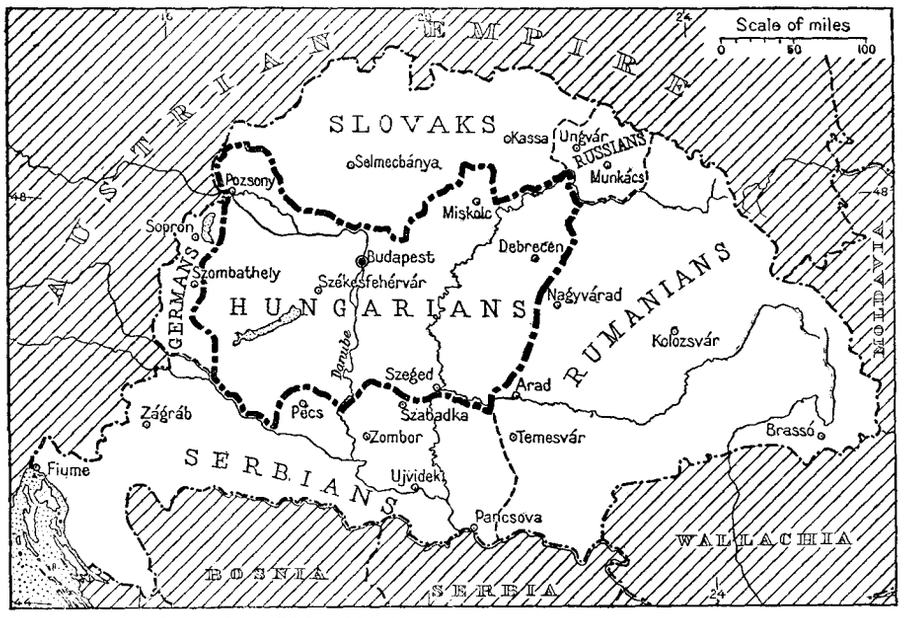
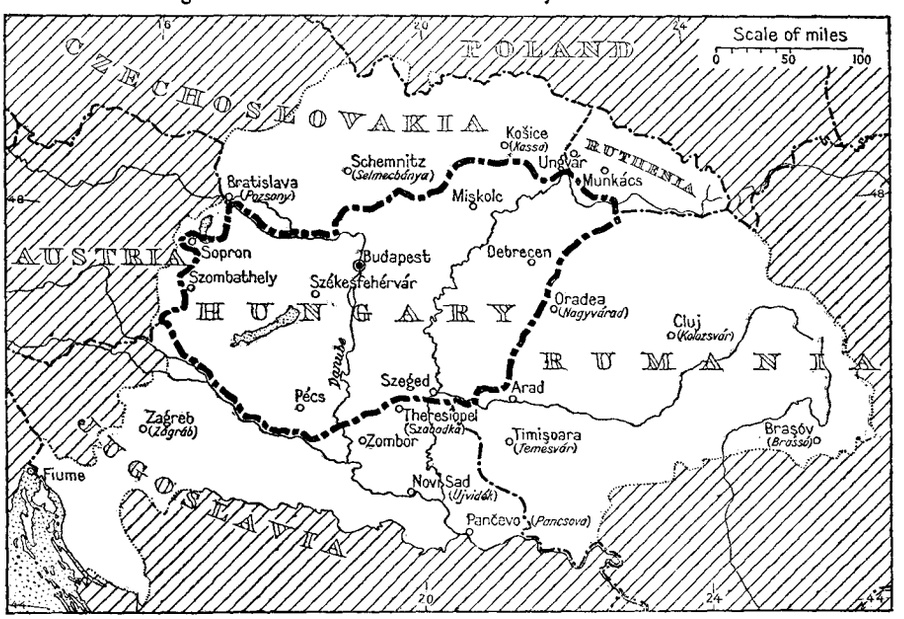


I. HUNGARY ACCORDING TO THE FEARS OF KOSSUTH IN 1850

The territory of pre-war Hungary is unshaded. The heavy broken line indicates what Kossuth foresaw would be left of Hungary if non-Magyar elements were given autonomy and allowed to gravitate towards their co-nationals beyond the frontier.



II. HUNGARY ACCORDING TO THE TREATY OF TRIANON, 1919

The former territory of Hungary is unshaded. The heavy broken line shows the present frontier of Hungary, which strongly resembles the frontier foreseen by Kossuth seventy years earlier.

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death of the Magyar nation, for the simple reason that the Hungarian province would be an isolated nationality (from which, in addition, several scattered fractions would be detached)[4] which could not join with a greater unit; whereas the Serb, Rumanian, Slovak, Ruthenian, and German provinces would inevitably yield sooner or later to the force of attraction exercised by the neighboring nations. In this way, the Hungarian province would remain nicely alone. I don't feel that we are entitled to gamble so with the destiny of our nation and to sacrifice its whole future to the ephemeral calm of tomorrow."

Kossuth further sharpens his argument by saying that even the catastrophe of Hungary's becoming part of an imperial unity under Hapsburg rule would be a lesser misfortune than the dismemberment involved in Count Teleki's plan. "Even your idea would give *only* a provincial life to the Magyar people; and Austria itself, even in the worst circumstances, is compelled to give that much. Yet with the difference that under the Austrian system we should get a far larger territory and a lesser degree of dismemberment, and no dispersed Magyar elements would be absorbed[5] . . . And there is another difference, that an aggregation with such varied elements would preserve us better from absorption and leave some hope for the future; whereas your idea not only gives us no hope for an improved situation, but reduces immediately to a minimum the life of the Magyar nation as a state . . ."

The idea that a Hungary which had been separated from Austria and which did not have the support of a Great Power would be immediately dismembered into six parts obsessed the Hungarian statesman so much that he burst out passionately: "And is it for this aim that we should begin a revolution? For this should we again cover our Fatherland with blood? No, my friend! To do that we need a greater aim, an aim which is worthy of the price!"

V

Kossuth then proceeds to show, using Croatia as example, that provincial autonomy must inevitably lead either to conflict or to federation. In 1841, he had already favored the idea of a con-

[4] Kossuth manifestly is thinking here of the scattered Hungarians living among compact masses of the various nationality groups.

[5] Kossuth's idea here is that, under a unified imperial system, the composite parts could not carry on a policy of assimilation.

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federation between Hungary and Croatia; but the Estates, refusing this move, had hastened toward the annihilation of even Croatia's provincial existence, and the result had been faction, riot, and revolution.[6] "That is what would happen if your idea were put into execution; the common legislation would always conflict with provincial independence and would aim to subordinate the provinces, whereas the provinces would strive toward federation and coördination. Hence, eternal struggle. And the end of this fight? As a result of the geographical circumstances and the operation of natural laws, neither federation nor subordination — that is, neither federation nor provincial independence — but secession. Secession of the Vojvodina to Serbia; of the Rumanian province of Transylvania, of the Bánát, and of the counties Arad, Bihar, Szathmár, Mármaros, K. Szolnok, Zaránd-Kraszna-Kövár to Wallachia; of the Slovak territory (a colossal province) to the Czechs; of the Ruthenians, with the Galicians, to Russia; of the Germans (Vas, Sopron, Moson) to Austria. And the Magyars to whom? To death."

Kossuth regarded these tendencies as inevitable. Therefore, he opposed a federation of the various nationalities of Hungary: "I wish to see Hungary federated with Serbia, Croatia, Moldavia-Wallachia, with Poland, and other countries; but I do not wish to see a Hungary divided into federated provinces. This I shall never accept . . . It would be an error to think of the example of North America. The federation there is what I wish and not what you intend. They did not divide their country into provinces along lines of nationality, but they made a federation of independent states. This is exactly what I wish. They federated territories and not nationalities, and therefore they need have no fear of dissolution from a nationality point of view. Furthermore, the German colony of New York or similar groups have no co-national bodies in their neighborhood toward which to gravitate."

Again and again Kossuth emphasizes that he wishes to maintain the territorial integrity of Hungary, granting every nationality perfect equality within the state. And this undivided territory he would be willing to federate with the adjacent states. A dismembered Hungary would be "even more terrible than the Austrian curse." And his final conclusion is this: "I am con-

[6] Kossuth alludes here to the vehement controversy between Hungary and her *partes annexae*, Croatia, which became the greatest centrifugal force of the former Monarchy. (For details see my book, "The Dissolution of the Hapsburg Monarchy," Chicago, 1929, p. 366 ff.)

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vinced that to achieve such a purpose, to achieve the dismemberment of the thousand-year-old Hungary into six distinct states, the Magyar will never take up arms; and if he would, he could not be victorious because there would be no enthusiasm in his breast for such a struggle. And if he should, in spite of all this, vanquish Austria . . . *after his victory would begin the most terrible civil war, a war to the hilt, the end of which would be the fate of Poland*[7]. . . . You will perhaps say that with my plan the Rumanians and the Serbs and the other nationalities would not be satisfied. That is true of those who wish us to commit suicide out of courtesy to them; but the reasonable part, the masses, would be satisfied. And even were they not, I am sorry to say I cannot help them. I cannot commit my hand to an action the result of which would be worse than anything which we might otherwise lose."

VI

The correspondence from which I have been quoting reflects in a striking way the leading ideas of the Hungarian revolutionists. It shows, first, the paramount importance which they attributed to the nationality problem of Hungary, without the solution of which the whole international status of the country would remain uncertain; second, Kossuth's realization that the defeat of Austria would not be by itself a good thing for Hungary, and that she would have to find support from one of the Great Powers (perhaps Turkish suzerainty, with English consent); third, his conviction that otherwise Hungary would inevitably be dismembered by her own centrifugal forces[8]; fourth, his belief that (lacking foreign support) even the continuance of the Hapsburg supremacy, which could not last very long, would be better; fifth, his hope that Hungary, though repudiating federation internally, might by means of a liberal system of cultural autonomy satisfy the reasonable wishes of the masses of the various nationalities, even if not of the intellectuals.[9]

[7] My italics.

[8] This conviction had already been clearly expressed by the first deeper analyzer of the nationality problem of Hungary, the fiery patriot Baron Nicolas Wesselényi, who published "An Appeal in the Cause of the Magyar and the Slav Nationality" in 1843. He stated that only the unification of the national minorities in common interests and rights with the Magyars could solve this dangerous problem.

[9] As a matter of fact, a few years later he elaborated a daring and far-reaching plan for the solution of the nationality problem according to which each nationality could organize itself for the satisfaction of its national cultural needs exactly in the same way in which religious groups organize for the satisfaction of their religious needs. (For details of this plan, see my "The Dissolution of the Hapsburg Monarchy," pp. 311–313.)

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The final conclusion of Kossuth was that a liberated Hungary, separated from Austria, without the support of a Great Power, would inevitably fall into six parts and the alien nationality groups, as dissatisfied *irredenta*, would join their relatives beyond the frontiers and form independent national states. Kossuth described the main features of this process of dissolution. Following the geographical delimitations given by him, we obtain a map which shows his pessimistic vision of the future (Fig. 1). This map resembles closely that which actually resulted seventy years later from the Treaty of Trianon (Fig. 2).

VII

None of the conditions which Kossuth pointed out as necessary to secure Hungarian independence and to avoid the country's dismemberment were fulfilled. Turkey ceased to be a decisive factor in European policy; and Hungary, after the compromise with the Hapsburgs in 1867, took a course diametrically opposed to the suggestions of Kossuth and to his later plans for confederation with the adjacent national groups. Instead of choosing a Slav and Rumanian orientation under the leadership of the Western Powers, the Austro-Hungarian Monarchy threw in its lot more and more intimately with the German Empire. And instead of trying to satisfy the national cultural needs of her alien races, Hungary adopted a stronger and stronger policy of forcible assimilation, hoping in this way to produce moral and political unity. Further, she whole-heartedly supported the imperialist expansion of Austria over the Balkan peninsula, and coöperated in the creation of that fatally hostile *irredenta* in Bosnia-Herzegovina which later was to become the point of explosion of the whole 1914 crisis. When Germany was defeated, the preservation of the Austro-Hungarian monarchy became an impossibility; and in both parts of the Empire, in Austria and in Hungary, the various national units took their natural course, as do the waters of a river that has been artificially dammed after the obstruction has been suddenly removed.

This analysis is by no means to be taken as a complete justification of the Treaty of Trianon. In the first place, the frontiers accepted as natural by Kossuth in 1850 were not still the real ethnological frontiers of Hungary in 1919. The intervening seventy years had changed considerably the racial constitution of the various territories. The system of artificial assimilation had

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proved practically useless; but the growth of the capitalistic system, under Hungarian leadership, had created large new urban centers which were predominantly Hungarian, notably along and beyond the old ethnographic frontiers. The disregard of this gradual expansion of the Magyar element, and the adoption of the old ethnographic lines, were serious errors of those who drew the Treaty of Trianon. Large Hungarian towns were detached from the mother country. In addition, without any ethnographic justification, territories were in several cases detached for purely strategic reasons. But the gravest mistake of the victors was that they consented to the economic dismemberment of a territory the separate parts of which are in many respects incapable of independent healthy economic life.

At the same time, the facts and considerations brought out in the Kossuth-Teleki correspondence seem to indicate that ever since Hungary's nationality problem had become acute she had been threatened with dismemberment along lines not dissimilar from those laid down in the Trianon settlement, *unless* her statesmen pursued a wise and judicious policy of conciliation and fair play toward the subject nationalities. This necessity was clearly recognized by Francis Deák and Baron Eötvös immediately after the compromise of 1867, but was disregarded by subsequent generations. It is also plain, I believe, that the solution of the Danubian problem today can be found neither in the maintenance of the present situation nor in the restoration of the old frontiers of Hungary. It must be found in two things — in a reasonable readjustment of boundaries, and in a tariff union between Hungary and adjacent countries which would restore the economic advantages possessed by the former Austro-Hungarian Monarchy, without the Hapsburgs and without domination by any one race.

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FASCIST ECONOMIC POLICY AND THE N. R. A.

By William G. Welk

"Perhaps the chief task of economists at this hour is to distinguish afresh the 'agenda' of government from the 'non-agenda'. . . . Our problem is to work out a social and economic organization which shall be as efficient as possible without offending our notions of a satisfactory way of life."—John Maynard Keynes: "The End of Laissez-Faire."

THE words of the distinguished British economist are as significant today as when they were written seven years ago; for, while suggestions as to how to work out an efficient and satisfactory social and economic organization continue to be offered and experimented with on an unprecedented scale, the problem itself still remains to be solved.

During the last decade two attempts at a solution have attracted particular attention, one made by Russian Communism, the other by Italian Fascism. Apparently at opposite poles in their general creed and philosophy, they have one fundamental aim in common: the realization of a new scheme for the social and economic advancement of their people. Despite fundamental differences in underlying political philosophy, the social and economic experiment attempted in Italy presents certain interesting parallels to that now being tried in the United States under the ægis of the N. R. A. Coöperation through authority appears to be the basic formula common to both programs. Perhaps it expresses the essence of the new order toward which western capitalism seems gradually to be moving.

I

Born of a reaction against the doctrines of Marxian socialism and the extreme degeneration of post-war parliamentarism, Fascism gradually developed into a movement which has transformed the whole political, social and economic structure of the Italian Kingdom. The old liberal state has ceased to exist in Italy. Its place has been taken by a new state, built according to Fascist doctrines and Fascist ideals. Intense national consciousness, intense patriotism and national fervor are the basic elements of the new social and political creed: they pervaded and inspired Fascist thought and action and supplied the driving force, the renovating power, which made possible most of the reforms introduced in Italy during the last decade.

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It is upon the ideal of a strong and prosperous Italian nation, conceived as a unitary group representing past, present and future generations of the Italian people, that the edifice of Fascist ideology has gradually been erected. In the Fascist view, the national group is something more than a mere aggregate of the individuals who compose it at any given moment of time. Individuals come and go, but the nation and its tangible expression, the state, remain. Their interests and ends and those of the component individuals are not necessarily the same. The economic or political preservation of the group may demand, as it clearly does in time of war, the sacrifice of individual rights and interests. The classical relationship between the state and the individual is thus to be reversed.[1] For the liberal conception of an organized society existing primarily to benefit its individual members — *solvitur in singularitates*, as the phrase goes — a different social philosophy is to be substituted. In place of the old emphasis upon the "rights" of the individual, stress is to be laid upon his "duties" toward the nation and state, and thus implicitly toward the social group of which he is a member.

In the economic field, Fascist theorists believe, the purposes of society as a whole are best served by a system of "controlled freedom." The task of developing the nation economically — the processes of production and distribution — are best left to individual initiative, for freedom of initiative and competition will assure the most efficient results with the least effort. But while English classicists conceived of economic liberty, if not always as a natural right of the individual which it is the duty of the state to safeguard and to protect, at least as a fundamental principle which ought to guide and to restrain the state when it seeks to regulate individual activity, Fascism merely accepts economic liberty as an expedient method, as a concession made to the individual by society in the interest of the social group as a whole; a concession which may, whenever necessary, be revoked.

While thus private property, individual initiative and freedom of competition are to be maintained as expedient methods for the achievement of social and economic well-being and progress, there is no place in Fascist society for uncontrolled economic individualism. Centuries ago, state control and state justice were substituted for unlimited personal freedom and the individual right of self-defense. In a similar manner, Fascism holds, a system

[1] *Cf.* "The Philosophic Basis of Fascism," by G. Gentile, FOREIGN AFFAIRS, January 1928.

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of state control and state justice must now be substituted for the unrestricted economic freedom of individuals and classes and groups.

To exercise this control and dispense this justice, the Fascists believe it necessary that the various economic groups within the nation be unitarily organized and represented. The supervision and control of these groups will in turn make it possible for the state to reconcile conflicting interests between group and group, to harmonize them with the higher interests of society, and also, it is hoped, effectively to control the main streams of the nation's economic forces and thus to attempt, with some reasonable chance of success, a solution of the fundamental problem of securing national economic stability.

With these ends in view, the *stato corporativo Fascista* — the Fascist corporate state — has gradually been called into being.

Several of its underlying ideas had long been advocated by Italian and French thinkers. Early in the nineteenth century, while the aphorisms of the French Revolution were still gaining in popularity, two distinguished Italian students of political theory, Sismondo de Sismondi and Gian Domenico Romagnosi, expressed the view that, while the French Revolution had destroyed the social and political structure which rested mainly upon the oppression of the lower classes, it had failed to replace it by anything substantially better. In their opinion the thought generated by the Revolution had been arrested and immobilized by an exaggerated exaltation of the individual, and had lost contact with such larger social realities as the existence of aggregates of individuals and of clearly distinguishable social and economic groups. At the beginning of the twentieth century new and challenging theories about these social groups were evolved by two Frenchmen, Georges Sorel and Léon Duguit. Sorel, the father of French revolutionary syndicalism, advocated the formation of powerful workers' guilds destined to wrest from the capitalists the control of the means of production. Léon Duguit, an eminent French jurist, saw in the syndicalist movement, not a means of social strife and war but a powerful means of pacification and union, a means for the establishment of a new society formed of strong and coherent syndical groups of employers and workers, trained into harmony and unity of purpose through a system of collective bargaining and collective contractual agreements laid down under the direct supervision of the state.

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Immediately before the World War attention had been called to these doctrines on the Italian peninsula. Sergio Pannunzio, a young Italian nationalist, had advocated the transformation of the revolutionary syndicalism of the workers into a new movement destined to further the national cause. Alfredo Rocco, a young Italian jurist, later to become Minister of Justice in Mussolini's cabinet, wrote a searching criticism of the individualistic theories implicit in current economic science and advocated substituting for them a series of doctrines based upon a truly social conception of economic life and centering around the ideal of a system of syndical groups of workers and employers established in all the major branches of productive activity under the direct supervision of the national government.

After the war these ideas were incorporated *in toto* into the economic program of the Fascist Party. Under the leadership of Edmondo Rossoni the first Fascist labor syndicates were formed in various localities. Then syndical organization was gradually extended to employers. Finally, a series of separate syndical organizations for employers and workers was formed in practically all the major branches of the nation's productive system. After the March on Rome, the new government took a direct and immediate interest in the promotion of the new syndical movement. In 1925 a commission of eighteen members, under the presidency of Senator Giovanni Gentile, was appointed by the government to study a scheme for the legal recognition of the existing syndical associations and for the creation of the legal bases of the new economic society advocated by Fascist syndical theorists.

II

The *stato corporativo Fascista* has its origin in the law of April 3, 1926, on "the legal discipline of collective labor relations." By means of that law a series of important innovations was introduced into the country's economic system. All Fascist syndical associations of workers and employers already existing within the various occupational fields were recognized as separate legal entities and were given the exclusive right legally to represent the interests of the entire occupational group within which they had been organized. Strikes and lockouts, in the Fascist view violent and socially harmful expressions of class warfare, were prohibited. For the old system of uncontrolled class struggle

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was substituted a new system of collective bargaining and of collective labor agreements. Finally, the *magistratura del lavoro*, a new system of governmental labor courts for the peaceful settlement of labor disputes, was instituted to provide for an equitable solution of all cases in which no fair and satisfactory agreement could be reached through the processes of ordinary syndical bargaining.

Thus the productive forces of the nation emerged from their previous unorganized state, grouped into thirteen large confederations of syndical associations, six of them representing employers, six representing employees, and one representing professional men and artists.[2] Each confederation includes a well-organized group of national and regional federations of syndicates and of individual syndicates of employers or workers vested with the exclusive right to represent and to protect the economic and other interests of all the individual members of their various occupational groups. The most significant consequence of this right is the privilege of the various legally recognized syndical associations to participate in collective syndical bargaining and in the subsequent making of collective labor agreements. According to official figures, up to the end of 1932 a total of 10,256 provincial and a total of 566 interprovincial and national collective labor agreements have actually been stipulated in Italy. Such agreements, binding alike upon all members of a given occupational group, whether members of the syndicate which represents them or not, must contain, in addition to provisions on wage rates and working hours, precise regulations regarding disciplinary matters, trial periods and such Fascist innovations as the indemnity to be paid to the worker upon discharge from employment through no fault of his own and the annual paid vacation period (usually a week or more) to which every steadily employed worker in Italy is entitled by law.

Should it be impossible to reach an agreement acceptable and fair to both parties by a process of syndical bargaining, or should a dispute arise on the provisions of an existing collective agreement, no strikes or lockouts will disturb the rhythm of the country's economic life. The case in question will be brought for adjustment before the newly instituted governmental labor

[2] The employers and employees each have the following national confederations: industry; agriculture; commerce; enterprises of maritime and air transportation; enterprises of land transportation and internal navigation; and credit and insurance. In addition there is a thirteenth national confederation of independent artists, artisans and professional men.

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courts. These labor courts, organized as separate sections of the sixteen Courts of Appeal existing in the various parts of the Italian kingdom, consist of three magistrates of the Court of Appeals and two experts in the problems of production and labor chosen by the president of the court from a carefully selected list of eligible citizens. From the decisions of the labor courts an appeal is possible to the Supreme Court of the Kingdom.

The work of the Italian labor courts may best be illustrated by a brief description of an actual case tried before them. In March 1927 a collective labor agreement had been stipulated between the Confederation of Fascist Syndicates of Agriculture, representing the workers, and the Fascist Confederation of Agriculture, representing the employers, determining the wages to be paid to the workers in the rice fields of the valley of the Po. Due to difficulties resulting from the revaluation of the lira, then in process of being made, and from the simultaneous reduction of the price of rice in world markets, the agriculturalists asked for a revision of the agreement and for a reduction of 30 percent in the rates of wages paid to their workers. The representatives of the workers' syndicates refused to consider such a proposal; and after the failure of an attempt at conciliation, the case was carried before the labor court for decision. After a careful study of the elements involved in the case, and after hearing representatives of both sides as well as the opinion of its own expert advisers, the court decreed a reduction corresponding to about 5 percent of the average rice worker's daily wage, in addition to the general 10 percent wage reduction previously decreed by the government, thus evidently deciding the case on the theory that the consequences of the country's economic difficulties were to be equitably shared by employers and workers.

With the creation of legally recognized employers' and workers' syndicates and the institution of collective labor agreements and labor courts, the foundations had been laid for the new system of Fascist syndical economy. The next task before the government was to devise the necessary governmental machinery for the coördination and control of the new syndical structure.

As we have seen, the ultimate aims of the Fascist economic reform far exceed the mere organization of the various occupational categories into large syndical groups. Syndical organization is not to be conceived as an end in itself, but as an instrument

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for achieving the ultimate aims of Fascist economy — the elimination of open class warfare, the harmonization of the interests of employers and workers with the interests of the social group, and the establishment of an efficient, just and stable national economic system. To this end, it was found necessary to set up a central organization of coördination and control primarily based upon and operating through the existing syndical structure, but superior to it. Such an organization has been gradually called into existence and is embodied in four newly established government organs: the individual corporation; the Ministry of Corporations; the National Council of Corporations; and the Corporate Chamber of the Italian Kingdom.

The corporation (the name is derived from the old Italian *corporazioni delle arti e dei mestieri*, the mediæval guilds of Italian craftsmen) was described in the syndical laws of 1926, in which it was first mentioned, as a central governmental agency established to act as a connecting link between the various confederations of workers and employers already in existence. It was to be a board or council, formed by the direct representatives of the highest employer and employee organizations (confederations of syndicates) existing within each one of the six major fields of national production; as such it was to be authorized to make compulsory regulations on collective labor relations and on the coördination of production whenever the necessary powers were delegated to it by the affiliated syndical organizations.

Up to 1930, however, no corporation as here defined had actually been called into existence Only a kind of *de facto* corporation had existed, through the action of coördination and control exercised by the second of the four newly created governmental organs, the Ministry of Corporations. This Ministry, established in July 1926, is the direct representative of the national government in the syndical structure and the chief government organ through which the Fascist state directly supervises and controls the operation of the syndical machinery which it has called into existence. To it are delegated such important tasks as the direct supervision of all the syndical associations of employers and workers existing within the nation,[3] the registra-

[3] This includes the solution of general problems of syndical organization, the legal recognition of new syndical associations, the registration of recognized ones, the audit of syndical accounts, etc.

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tion and enforcement of national and provincial collective labor agreements, the general supervision of collective labor relations, the carrying out of programs of syndical education and instructions, the elaboration of statistical information on questions of production and labor, and the supervision of the great Fascist social welfare organizations. Foremost among the last-named are the system of free national and provincial governmental employment offices; the National Institute for Maternal and Infant Welfare, caring for thousands of poor children; the National Institute for Social Insurance, which provides insurance against accidents, sickness, old age and unemployment, all of which every Italian worker is forced to carry by law; and, finally, the *Opera Nazionale Dopolavoro*, the national "after labor" organization, a semi-governmental institution for the promotion of recreational activities. In carrying out this vast program of work the Ministry of Corporations has the coöperation of the prefects of the various provinces and of the Provincial Councils of Corporate Economy, new government-supervised provincial economic boards, taking the place of the old Chambers of Commerce.

After the passage of the syndical laws of 1926 and the promulgation on April 21, 1927, of the Charter of Labor, containing a formal declaration of the social and economic policies of the Fascist state, the next major step for the completion of the new system of corporate economy was the enactment (May 17, 1928) of the law on the reform of political representation in the Kingdom. This law, substituting a new method of vocational or trade representation for the old system of political representation, fulfilled one of the major aspirations of Italian syndicalists. In the new corporate Chamber, the lower of the two branches of the Italian Parliament, were now to sit, not the exponents of a number of political parties and of political groups and cliques, but the direct representatives of all the principal groups of the nation's productive forces. In fact, the four hundred members of the new Chamber are to be selected by the Fascist Grand Council from a list of one thousand names submitted almost exclusively by the major syndical organizations of workers and of employers existing within the country. The new deputies thus represent, not a variety of political parties and, as the Fascists put it, contradictory party platforms and programs, but, openly and sincerely, the interests, needs and aspirations of the various economic groups from which they have been drawn.

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The Corporate Chamber, in spite of its new vocational formation, performs functions essentially akin to those of any other legislative assembly. But the last of the four major organs of the corporate state, the National Council of Corporations, provided by the law of March 20, 1930, is an original creation. This law was the last and perhaps the most important major step taken in the building of the Fascist corporate system. It provides for the establishment of a national economic council, to be composed of seven separate sections, six of them formed by the direct representatives of the six pairs of confederations of Fascist employers' and workers' syndicates existing within the six principal divisions of the nation's productive system, the seventh including the thirteenth confederation of syndicates, that of professional men and artists. The seven sections of this Council, thus constituted, truly represent the "corporations" as first conceived by the Fascist legislator in 1926. As the highest authority in its own economic field, each corporation is empowered by law, in addition to dealing with all matters immediately affecting the interests of its own particular economic group, to make compulsory regulations concerning collective labor relations and the coördination of economic activities within its own special field. For instance, during the meetings of one of the seven sections of the Council (the Corporation of Industry) there was discussion of such questions as the promotion of industrial exports, new industrial salary and wage rates, the stipulation of industrial collective labor agreements, the position to be taken toward new legislation on industrial accidents proposed by the government, etc.

Finally, there is a General Assembly of the National Council of Corporations, consisting of the members of the seven sections drawn together in common council. To it is entrusted the task of dealing with major questions of broad economic policy such as the organization and regulation of the syndical system, problems of collective labor relations and of the national and regional coördination of employment, and all other questions directly concerning the apparatus of national production. Moreover — and this provision is possibly the most significant one in the new law — the Council is empowered to formulate rules and regulations for the coördination of the economic relations existing among the various branches of the nation's productive organism. All this means that the National Council of Corporations is empowered by law to issue direct rules for the regulation and

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coördination of the economic activities of the nation according to plans and programs which the Council may work out and approve.

Constituted not by a governmental bureaucracy, but by the direct representatives of all the major productive forces existing within the nation, the National Council of Corporations is thus destined to be, as Mussolini suggested, the "general staff" of Italian economy, the planning authority which acts — through the almost military organization of the national syndical system which the Council controls and of which it is at the same time the highest expression — on the major problems of the nation's economic life.

III

Some of the main features of the economic system described in the preceding pages are not unlike certain of the provisions of the first part of President Roosevelt's National Industrial Recovery Act. The new American codes of fair competition, fixing as they do minimum wage rates, maximum working hours and the minimum age of workers in industry, read almost as do the national collective labor agreements stipulated between the major syndical organizations of Italian employers and workers since 1926, with the omission, however, of provisions for compulsory sickness, for old age and unemployment insurance, for an annual paid vacation, and for an indemnity to be paid to the worker if discharged through no fault of his own — a series of benefits to which every Italian worker is entitled by law.

The provisions in the National Industrial Recovery Act giving jurisdiction to the United States district courts to prevent and restrain violations of any code of fair competition remind one of the powers of the Italian labor courts, with the difference that no judicial agency yet exists in this country for the settlement of disputes arising between labor and capital before a code of fair competition is agreed upon and put into effect. A peaceful solution of such cases seems to depend upon successful arbitration by the President and his representatives, and, ultimately, upon the power given the Chief Executive independently to prescribe and to put into effect a code of fair competition and thereby to settle all controversial points by an act of executive authority.

In the broader field of the coördination of production and of economic planning, additional similarities are found between the Italian and American programs. As the N. R. A. comes into

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force, industrial advisory boards and economic planning committees are being organized in the various major industries of the country. While these boards resemble the Italian corporation in some respects, no provision for including the direct representatives of the various classes of industrial labor seems as yet to have been made.

Under the elastic provisions of the new American law the most extensive experimentation is possible. If this is carried on as promised, we may see American economic individualism replaced gradually by a new system of national economic coördination and supervision, evolved in accordance with the requirements and the needs of the American economic system and in harmony with the country's political traditions and institutions.

It is an open question, however, how far coördination and planned control of any capitalist economy can actually be carried, even in an almost militarily organized economic system such as that existing in Italy. For whenever that coördination and control ventures out from such relatively safe domains as the regulation of collective labor relations or the supervision of production, and attempts to deal with the fundamental problems of general economic stability, it will immediately find itself confronted with a twofold difficulty: the almost total absence of guidance from past experience, and an overabundance of plans of attack, ranging from a centralized management of the monetary and credit system and a consequent (hoped for) control of the price level to a system of direct planning of production and consumption. In addition, even though a workable system for effective economic control and the consequent reduction and elimination of economic instability could be found and applied within one nation, the vital problem would still remain of how to maintain that national economic stability in the closely interconnected and eminently unstable world of independent nations in which we live.

Despite all difficulties, however, we seem bound to try out the new system, and we shall learn more about it in the process. Faith in traditional *laissez faire* economics has been severely shaken. Adam Smith's system, in which natural liberty and the principle of self-interest were to be satisfactory and sufficient guides for the affairs of men, has shown its inadequacy as a code of general social and economic organization. *Laissez faire* has gradually been forced from its exalted position as a cardinal

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principle of economic life into the subordinate rôle of a convenient instrument for social progress under the supervision of the state. It is coming to be recognized more and more that if the pillars of the capitalist system — private property and individual initiative — are to be successfully maintained, our social and economic organization is bound to be transformed. Economic forces must not be allowed to work their will blindly. They must be harnessed by intelligent action.

In our attempts to solve the problem of national economic control the Fascist experiment seems able to furnish us with several interesting examples and suggestions. Rational organization of a nation's economy is hardly conceivable unless individual economic categories and groups are clearly defined and well organized. Syndical organization of employees and workers in each economic category seems an inevitable part of the effort. Legally recognized and autonomously administered employers' and workers' associations, entrusted with the sole representation of their individual economic group, are in a position to act not only as the official mediators between their individual members, in disputes with the other syndical organizations and in dealing with the national government, but also to perform a most valuable social service in achieving effective individual and group coöperation in the economic field. Under such a coördinated and unitarily organized national syndical system, the recommendations, plans and rulings of a central economic authority could promptly and effectively be put into operation in the various branches of the nation's economy. Italy shows us that this central authority can itself be a direct emanation of the existing national syndical structure — a freely chosen national economic élite which, inspired by new ideals of social right and social justice, is ready and able to limit, through its dependent organizations, the freedom of the one in the interest of the many.

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WHITHER SPAIN?

By Lawrence A. Fernsworth

IN THE eyes of Spain's "Republicans of the Left," who have been at the helm since the monarchy was driven out on April 14, 1931, and who follow the leadership of Premier Manuel Azaña, Spain is still in the revolutionary mid-channel. What has been accomplished thus far, they say, is largely preparatory for the main business lying ahead. Whither is the New Spain bound?

Or is it to be a New Spain? Will this group of republicans of extreme left tendencies, locking arms with extremer socialists and led by an intellectual like Señor Azaña, succeed in jolting Spain out of its lethargy, its excessive *patiencia*, its sense of fatalism, all the heritage of five centuries of Moorish domination and of five other centuries of domination by rulers who were only too glad to see the people held captive by paralyzing habits of thought? Will they succeed in substituting therefor standards of efficient effort and attainment? Will they show themselves capable of bridging a fatal gap between word as expressed in their laws and fact as the laws are actually applied? These are fundamental preliminary questions, for unless the habits of thought of the Spanish people are changed, their collective social and political structure cannot change much either.

On the more immediate practical side stands another question. Will this group of left republican and socialist elements hold their own sufficiently long to carry their cause forward against the forces of reaction on the one hand and the forces of anarchy and communism on the other? One would wish to say that there was a third alternative — the acquisition of power by a genuinely republican force of the moderate right; but at this moment any such force is hardly discernible on the horizon. The greatest danger is offered by the first group, composed of monarchists, ex-monarchists, reactionaries and the purely and unscrupulously ambitious. It is necessary to report that this group is making headway. Although the anarchists and the communists are making a great noise, the danger from their quarter is not imminent. Their leaders admit that the "revolutionary moment" has temporarily passed for want of a "solid front."

But let us for the moment discount all these obstacles, let us

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assume that neither the reactionaries nor the extremists will succeed in imposing their will, let us examine the main question of whither the New Spain is bound.

Four major factors or tendencies are to be noted: social reconstruction; economic rehabilitation; decentralization; and a new foreign policy, associated with which is a new policy of national defense not exempt from the suspicion of militarism.

Under the head of social reconstruction the government has orientated itself in the direction of socialism and has paved the way for making Spain the most nearly socialistic state in Western Europe. Land reform, the development of education, the separation of church and state, the introduction of universal suffrage, the recognition of divorce — all these actions are closely allied with the social reconstruction program. On the economic side, the Republic is seriously concerned with rehabilitating the national finances as a preliminary to economic revival; plans for public works on a large scale and for the improvement of transportation and the merchant marine come under this head. The granting of autonomy to Catalonia is the first step in the direction of decentralization; it is looked upon by many, especially by the nationalists, as opening the way for federalism. The growing importance of the Mediterranean question, the frequent conversations between the diplomatic representatives of Spain and France, the decision to fortify heavily the old Mediterranean stronghold of Minorca and dredge its strategic, land-locked harbor of Mahon, finally, the building up of a new and efficient army, are all symptoms of a new foreign policy.

The guiding spirit of this diversified movement of reconstruction has been Señor Azaña, a former governmental functionary, a former President of the intellectually aristocratic Madrid *Ateneo*, a former fugitive from political justice. He has been hailed as the most hopeful symbol of the revolution, the example *par excellence* of the Spaniard able to shake off the trammels of his race and demonstrate the value of action. He has the rare merit, rare especially for Spain, of being a man who has sought neither personal profit nor advantage from his office. "Revolution and Republic! Destruction of all the barnacles encrusted upon the living rock of Spain! Whoever does not understand it that way serves no purpose and does not understand political action!" Of such fiery metal is his republicanism. It must be reported that many of the Prime Minister's associates have often

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not understood it "that way." Therein, perhaps, lies the explanation for his most flagrant errors — for which, be it said, he has not shrunk from taking full blame.

II. SOCIAL RECONSTRUCTION

The groundwork for social reconstruction is to be found in the republican Constitution. The revolutionists made the preliminary gesture of suggesting to the most exceedingly forgotten man that the government was his and that he should participate therein. Hence it is stated in the Constitution that "Spain is a democracy of workers of all classes who organize themselves in a régime of liberty and justice." All Spaniards are declared equal before the law and there is provided an elaborate system of guarantees of individual rights.

The socialistic tendencies of the government are best understood in the light of the alliance between the Azaña group and the Spanish Socialist Party, which is numerically strongest in the Cortes (where one of its own sits as President) and which has three members in the Cabinet. The party controls the important workers' organization known as the *Union General de Trabajo*, and has the ambitious plan of bringing into that body all the workers of Spain, thus eliminating the rival labor organization known as the *Confederación Nacional de Trabajo*, composed of the *Syndicatos Unicos* and controlled by the anarchists.

The Socialist Party aims at installing a fairly complete régime of socialism and of making the workers the masters. Thus their impress on the Constitution: All the country's wealth, whosoever its owner, is subordinated to the interests of the national economy; every class of property may be expropriated for reasons of public utility; all property "may be socialized." Moreover: "The public services and exploitations which affect the common interests may be nationalized where necessary." Also: "The state is empowered to intervene in the exploitation and coördination of industries and enterprises when such action is demanded by the interests of the national economy." Article 46 guarantees "the participation of the workers in the direction, administration and benefits of enterprises and all that may affect the defense of the workers." There is now before the Cortes a bill intended to give force to the latter clause; but Señor Azaña, who has sought to reassure the country by denying that the Republic pursues a socialist policy, has not seen fit to sponsor it.

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The Constitution has made provision for a Tribunal of Constitutional Guarantees which is intended to offer safeguards for abuses. The law giving effect to this provision was voted only last June and the Tribunal has not yet been set up. It is to be composed of twenty-six members, including a member chosen by each of fifteen Spanish regions, and it may sit either in plenary session, as a court of justice, or as a tribunal of protection. The Plenary Tribunal is empowered to try the President of the Republic, the Prime Ministers and the Ministers, the President of the Supreme Court and the Attorney-General. It passes on general questions of constitutionality and on conflicts between the state and the autonomous regions. The Court of Justice and the Tribunal of Protection are each composed of five members. The first has jurisdiction over conflicts between two autonomous regions or between the Tribunal of Accounts (a supreme and independent auditing body having the final word over budgetary expenditures) and any other organism, whether of the state or of an autonomous region; it may examine the powers of presidential electors; and it may intervene in the election or dismissal of the President. The Tribunal of Protection hears appeals for the defense of individual guarantees.

The Tribunal of Constitutional Guarantees would at first glance appear to be an excellently devised medium for safeguarding the Constitution from abusive application. Yet there are several disconcerting features about the law. The first is the obvious political character the Tribunal is likely to assume by virtue of its dominantly political composition. The man just elected its President, don Álvaro de Albornoz, is an outstanding Jacobin. The provision of the law debarring the Tribunal from reviewing past acts of the Republican régime does not inspire confidence. Neither do the provisions imposing severe penalties upon citizens who, having appealed to the Tribunal, lose their appeal. In any event, the Tribunal does not yet function.

The land reform act, which was finally passed in September 1932, but which is still inoperative, is considered the government's most important step in the direction of social reconstruction. It provides for the breaking up of large land holdings and for starting the peasant on the way to greater independence. This fact, together with proposed extensive cultivation and irrigation, has economic significance in that the country's agricultural wealth ought to be greatly increased. However, the land

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reform bill is still inoperative, and the peasant is still land-hungry, so that in many parts of Spain he is rapidly being converted to extremism. The government pleads that agrarian reform is complicated and needs most careful preparation. Two supplementary laws are still wanting to make the law operative; but the Minister of Agriculture has announced that if they are not passed by autumn he will incorporate their essentials in a ministerial decree and apply the reform without further delay.

In the field of education the government aims to wipe out Spain's blight of illiteracy. Hence it has embarked upon a five-year plan of establishing not less than 27,000 schools to supplement the 35,716 left by the monarchy. More than 7,000 have already been set up. It is the thought of Señor Azaña that the schools should be modernized and brought closer to reality. A special problem is created by the closing of religious schools. The Catholics say that 600,000 children are now being taught by the religious orders, while the ministry of education puts the number at 300,000. To find schools for all these is a great task.

The Religious Congregations Law, finally passed last June, "nationalizes" church property without actually confiscating it or diverting it from church uses. The churches and religious orders must render to the state accountings of their finances, properties and business transactions; in fact all of their records, ordinarily private, are subject to official inspection. Further, they must notify to the state the appointment of prelates and other high ecclesiastics and superiors, the implication being that the state's *placet* is necessary to make the appointments effective. The law further deprives the religious orders of the privilege of teaching or engaging in industry, commerce or agriculture. These provisions are the consequence of a widely spread reaction against the Catholic Church in Spain, no doubt due in large part to many of the Church's own errors, as seems to be partly confessed in the recent pastoral of the Primate. But that this reaction extends to the majority of Spaniards would hardly seem true. Catholic action, indeed, seems to have been rendered more definite and vigorous under the Republic. Many practising Catholics who are at the same time genuine republicans are disturbed. They would welcome a clean-cut separation of church and state, but they do not like what seems to them persecution of the Church.

The granting of votes to women, the recognition of divorce, and the removal of the taint of illegitimacy from children, may be

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expected to affect profoundly the future relations between man and woman, and the Spanish woman herself. In other words, it will probably change the character of the Spanish family. In a land where to this day the woman has had almost no rights, and where the attitude of man toward woman has been one of oriental domination and possession, these grants of the law may be expected to transform her social status.

III. ECONOMIC REHABILITATION

Señor Azaña has expressed the republican viewpoint on finance and economy in the following terms: "The government must attend to the economic reconstruction of Spain and the establishment of its economy to the ultimate limit. There must be no increase in present taxes, but a tax on investment revenue must be imposed. . . . We are disposed to address ourselves to the reconstruction of the country but with a rhythm in keeping with our finances and credit. . . . We must spend money on things that will give us returns."

Spain's current budgetary expenditures are estimated at 4,724,000,000 pesetas, ostensibly an increase of 1,037,000,000 pesetas over the 1931 budget, the last formulated by the monarchy, and of 186,000,000 pesetas over the budget of 1932. The current budget shows on its face a deficit of 600,000,000 pesetas. If it be considered that a bond issue of about 600,000,000 pesetas is in it as an item of ordinary revenue, it will be seen that the actual deficit, based on the figures cited by the budget itself, is really 1,200,000,000 pesetas, or at current exchange rates about $125,000,000. When it is further considered that the liquidation of the 1931 budget showed a deficit of about 600,000,000 pesetas, that the revenues for 1932 showed a considerable falling-off under the estimates (although an increase as against previous years), and that there is every likelihood of a further falling-off, we see that the Republic faces a formidable deficit for these three years.

Government organs seek to counteract unfavorable comments on the foregoing matters by pointing out that the budget is, first of all, an honest one, since there is no juggling of figures or recourse to extraordinary budgets, as there was in the past. They further point out that, as against a general falling-off in the revenues of other countries, Spain's revenues are actually increasing. The capacity of the country's wealth to produce a greater revenue is a hopeful factor. Likewise hopeful is the fact

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that certain budgetary items are intended to fulfill definite needs of the country, such as education, public works, the rehabilitation of the railroads, the building-up of the merchant marine, and other public improvements. It is further argued that the currency is on a solid basis despite the decline in the peseta. A recent statement of the Bank of Spain showed on hand 2,258,677,885 gold pesetas as against a currency circulation of 4,847,319,425. Thus inflation is almost nil and the decline of the peseta must be explained by other factors, such as high tariffs against Spanish goods and diminishing foreign markets. The government is now taking steps to correct this situation by the negotiation of treaties with a number of countries.

The important fact to be noted from the foregoing is that Spain has an excellent point of departure for consolidating her financial position. But if her financial situation is basically good, it is susceptible of being thrown out of balance by a number of factors. Among the things which might have a disastrous effect would be a political upheaval; a continuance of the high tariff policy, which is already responsible for partial embargoes against Spanish goods by France, England and Germany; unwise interference in foreign exchange operations; or a failure to make a real improvement in the market at home.

IV. DECENTRALIZATION

The provisions of the Constitution which permit the granting of autonomy to the various regions, together with the actual granting of that autonomy to Catalonia, are a step toward decentralization, even though federalism may not for the moment be implied. The Constitution pronounces against federalism. Nevertheless, the Prime Minister, in opening the battle for the Catalan statute in May 1932, reminded the Cortes that the Spanish state was originally constituted by "the union of peninsular states in which the only thing in common was the crown" — that is to say, on a basis in which the potentialities for federalism were already strong. The historic regions, which have not lost their sense of race or tradition despite the absorbing activities of the monarchies, now dream of a rebirth of this "union of peninsular states," under a federal regime. The Basque country, Galicia, Valencia, old Aragon, Andalucía, the Balearic Islands, are all announced candidates for autonomy. In this fallow soil federalism is a seed which has already sent forth its sprouts.

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V. FOREIGN POLICY

As to foreign policy and national defense, the Republic is beginning to stress the point that it must be prepared to defend itself. Although it began by tearing down the old army, it is building up a new and ostensibly efficient one. Let note be taken of certain items in the last budget: 423,000,000 pesetas for war, 158,800,000 for military action in Morocco, 260,650,000 for the marine, of which it is announced that two-thirds are to be devoted to the merchant marine, 868,900,000 for public works, including fortifications, naval dredging and other military enterprises.

We shall not go far wrong if we assume that Spain has adopted a Mediterranean policy. The dredging of the Mahon harbor, for example, and the fortifications of the island of Minorca, have a peculiar importance. Minorca commands the Mediterranean from Gibraltar to Malta. In the eighteenth century it was variously fought for and captured by Spain, England and France. England's occupation of it gave her control of Mediterranean commerce. There came a time when possession of Minorca no longer seemed important, and England relinquished it in favor of Spain (1803). But with the revival of the Mediterranean question, with the growing rivalry between France and Italy in that quarter, with England's increasing anxiety about safeguarding her routes to India and the east, the strategic position of Minorca once more assumes an importance. And the repeated conversations between the representatives of Spain and France take on real significance.

VI. PUBLIC ORDER: THE POLICE AND THE ARMY

This outline picture of the Republic which Señor Azaña and the republicans of the left have set themselves the task of constructing would not be complete without reference to the question of public order. In the past Spain has had the most centralized police system in the world. This system, of which the principal components were the state police, the civil guard and the army, ruled by a ruthless application of the mailed fist. "*Hay de pegar*" — "it is necessary to strike" — has been the traditional Spanish formula for governing, both at home and abroad. The effects of applying this formula have been Spain's loss of almost all her colonies and, for the monarchy, the government's loss of the sympathy of a great body of the people. The question now is

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whether the Republic will adopt a new policy. The probable transfer of certain police powers to the autonomous regions (in Catalonia this has already been done) will be a step away from centralization. But the main question persists: Shall the government rule by suavity, by showing a certain indulgence and sympathetic comprehension in cases where people in their ignorance do not take kindly to the law, or shall it apply the mailed fist blindly as in the past?

By way of illustration consider a recent incident, one of many similar ones. On May 25 last, in the town of Zarza de Granadilla, in the province of Cáceres, the people were having a *fiesta* and had decided on a *capea* or local bullfight. The Civil Guards told the people they could not have their bullfight since they had obtained no permission. But the people would have their bullfight. There was rioting. An official version says that someone in the crowd fired on the Civil Guard. That is the stereotyped official statement in cases of this kind — and official versions in Spain must be taken, not only with a grain, but with a whole bagful, of salt. But there is no doubting that the Civil Guard fired on the people — on the men, women and children. Their bullets even struck the women in the church. The casualty list next day showed seven persons killed, eight others gravely wounded (of whom a number have probably since died), and numerous others wounded less gravely. Additionally, a guard was killed.

This is the kind of savagery on the part of the armed forces that has been occurring with as great frequency in Spain under the Republic as under the monarchy. The authorities consider the act justified since it was accomplished in the course of enforcing the law. Yet it would seem that a little indulgence, a little tact, would not only have prevented this affair, but have won the good will of the people, thereby, in the last analysis, upholding effectively the dignity of the law.

It would be difficult to say what has really been accomplished in the direction of abolishing militarism in Spain, beyond those spectacular orders of early Republican days which stripped the army of many officers, discontinued certain military jurisdictions such as Captaincies General, and abolished Tribunals of Honor. Nothing has been done to prevent the new army from being as militaristic as the old one. The coercion of officers into joining a "solid front," where questions of military "honor" or "prestige" or support of governmental authorities (whether right or

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wrong) are concerned, are still practised as in the days of the *juntas* and the Tribunals of Honor. Among the officers a spirit of military absolutism is rampant and growing. A good illustration of this was the recent case of five American citizens, including a woman, who were held forty-six days in a military prison in Palma, Majorca, for what seems to foreigners to have been a trivial "military offense." It was only after a peremptory assertion of governmental authority that the military judge consented to budge and permit the release of the five under a heavy bond. The Constitution (Article 95) says that "military penal jurisdiction shall be limited to military offenses. . . ." Yet as late as August 27, 1932, there was signed by the President of the Republic a law whereunder civilians could be held in military prisons and brought before military courts for any act tending to undermine the prestige of the armed forces, whether mild criticisms, verbal attacks, disrespect, or actual acts of disobedience or aggression, all of which were placed under the head of "military offenses." The trial of civilians by military courts is practised almost daily. Thus Spain presents the strange spectacle of a democracy wherein the civilian citizen is still under the thumb of the military authorities.

Acts such as these, and the frequent suspension of newspapers for indulging in criticism thereof, would at this writing seem to have lost to the government that large degree of public confidence it enjoyed upon coming into power and which it had such unusual opportunities of consolidating. In the partial municipal elections of the early spring, the governmental forces, although they controlled the election machinery, came out a poor third; and the government has not dared since then to go before the country in partial elections where some 130 parliamentary vacancies were to be filled. One cannot help speculating on what a great opportunity the Republic missed by its failure to abandon resolutely at the outset the old Spanish custom of governing by régimes of exception rather than by applying the law strictly and equitably for all. The confidence that would have been created at home and abroad would have been of incalculable value.

VII. POPULAR DISSATISFACTION

The dissatisfaction now evident in Spain may be summed up as follows. Those opposed to republican ideology suffer from a pro-

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found sense of persecution. A great body of Catholics are angered by the religious laws. Peasants still without land distrust the government. The government's frequent non-observance of its own laws and its harsh police measures have alienated large blocs of the common people. On the other hand, absolutists and the military minded are complaining that the government's repressive measures are not sufficiently harsh. Economic and financial elements are discontented and in some cases have been in open revolt, as when the directing board of the Mercantile Association of Madrid permitted itself to be taken to prison recently rather than obey the new laws governing working hours and pay for employees. Landed proprietors and the more important agriculturalists complain that the land market has been wrecked and agriculture disrupted by the continuing uncertainty about the application of the agrarian laws. The economic pinch is further being felt as a consequence of diminished foreign markets.

These varied forces of discontent account for the dramatic governmental crisis of June. President Alcala Zamora's withdrawal of confidence from the ministry was a manœuvre on his part to set up a government of the right. No one now denies that he had an understanding with the republican opposition, particularly with the Radical Party of Alejandro Lerroux. Señor Lerroux was expected, if he assumed power, either to force the passage of the Constitutional Guarantees Law before the expiration of the time limit for the signing of the Religious Law, or to recall the Religious Law and modify it. If the Guarantees Law could have been signed before the Religious Law, the way would have been cleared for reviewing the latter on constitutional grounds. The manœuvre failed. The socialists, mortal enemies of Lerroux and his party, said that he should not enter the cabinet; they are reputed even to have threatened a general strike of the socialist workers if he did. And so in the end Señor Azaña returned to form a new cabinet. The country was made to understand that in the present Cortes only a government of the extreme left could govern. On its face, the Azaña ministry not only was victorious but was strengthened.

In reality the government was not strengthened. This began to appear as soon as the country awakened to the fact that the true victory had been with the socialists, who had demonstrated that without their consent no ministry, not even an Azaña ministry, could continue in power. There has since been an un-

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easy feeling in the country at large that the government was doing little more than mark time and that it was becoming debilitated. The fact is that prior to the crisis Señor Azaña, having found himself daily the object of more criticism and having encountered opposition among his own supporters, had had to clamp the socialists to his bosom with hoops of steel as his firmest allies. But: "The Republic, for the socialists, is not an end but a bridge. And their collaborations . . . are simple expedients, pure instruments and friendships of passage toward other realities of much greater importance and substance to them."[1] In fine, the Azaña government has gone as far as it can with the socialists without surrender to them; the Prime Minister has apparently exhausted his capacity to act as motivating force in the present political combination. The forming of a more ample government in which some of the present opposition shall be included, but from which the socialists shall have departed, or an appeal to the country, seem to be the only alternatives open to Señor Azaña. The former is impossible without a surrender of "left" principles. The latter is feared, for at present it would mean the almost certain defeat of the government and the return of a parliament dominated by mixed reactionary elements. Such a parliament might be expected to set about undoing much that has already been done. New oppositions and antagonisms would be created and, of course, nothing would be solved.

It is a misfortune of the Republic that real elements of the liberal right, truly and authentically republican, do not yet exist. The so-called republican parties of the right, the Radicals, the Conservative Republicans, the Agrarians, are too much linked with tradition as parties or by virtue of their component parts to be satisfactory to those who, while demanding that the Republic prevail, also demand that it abandon the highway that leads leftward. Perhaps in two years' time this needed delimitation can be brought about. But can the country afford to wait that long? Will the people have the patience to do so?

VIII. THE POLITICAL OUTLOOK

Some conclusions may now be set down.

Any government of the extreme left would be too impervious to realities and too incompatible with a great variety of Spanish interests to offer hope of long life. Thus a swing toward the

[1] Gaziel, in *La Vanguardia*, July 13, 1933.

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moderate right would seem to be desirable. That accomplished, the groundwork already laid might remain, but we might expect the harsh features of the Constitution and the laws to be modified by amendment, or in practical application. Such a government might identify itself more with Spain's economic interests and evolve into a government of the middle-class with tendencies only mildly left. There is small present promise of such a solution.

There is the alternative that the present left Republic might save itself, as such, either by a more equitable and liberal spirit in the application of the laws, or by summary methods, involving a resort to force. The moment holds small promise of the former. The government is not sufficiently sure of the armed forces to attempt the latter. The army is almost wildly against the present government, and many of its officers have recently been quite free in speaking of their plans to make an end of it. Although the Civil Guard protests that it supports the government, putting it to a test might prove dangerous, even fatal.

Again, the socialists might set up the socialist state by a combination of political and revolutionary actions. They would have to count upon the opposition of the army and the Civil Guard and depend upon an armed movement of the proletariat. The anarchists and the communists might, for their own ends, make common cause. The situation has its possibilities.

The military might support the reactionary elements in a *coup de force* having issue in a more or less disguised régime of republican fascism or dictatorship, but hardly in a restoration of monarchy. Such a movement has undoubtedly been preparing for some time. As this is written, the government is actually making extensive arrests connected with a supposed plot of this nature. Whether it has been or can be circumvented is the question. The proletariat feels that such a *coup* would, in the end, play into their own hands and prove merely the forerunner for a future workers' revolution.

There might eventually come the counter-revolution of the masses. If it came as an aftermath to a reactionary régime, however, it would almost certainly be distinct from the socialist movement referred to above.

The situation might be temporarily altered by new national elections, with the prospect that the extreme right forces would have the victory. Perhaps this is the most likely outcome. But, given the constituent elements of such a government, we can

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deduce that it would not solve anything for long. The situation in the end would be much as it was in the beginning.

A word about the monarchists is here in order. While there is much monarchist sentiment, and while one monarchist party, the Traditionalist, is active whenever its centers are not closed or its meetings prohibited, the truth is that monarchism as a political force has about spent itself. Traditionalism may for long years be a monarchist rallying symbol, but its activities will probably be little more than a romantic gesture. The Catholic Church has carefully refrained from identifying itself with any monarchist movement. It is now canalizing Catholic political action through the organism of *Acción Catolica*, which, the new Primate has just declared, all Catholics must in duty support. It is a quasi-party, organized avowedly for the defense of church rights, but noncommital as to the form of government it is prepared to support. The clergy in the main would undoubtedly incline to swing it toward monarchism at a propitious moment; but it is extremely questionable whether the rank and file could be so swung.

But whatever political solution may be found, it is difficult to see how Spain can take its place in the ranks of modern nations until it shakes off habits of mind that to a foreigner seem weirdly mediæval. Thus Republican Spain is still suffering from a king complex, by which I mean that every *autoridad*, from petty to important, is a kind of miniature royal personage, sacred and untouchable, to "injure" whom by criticism is a form of *lese majesty*, punishable under the law. Neither the public official nor the petty public functionary, even to the telegraphic employé or the railway conductor, has yet any notion of standing in a relationship of service to the people. An inordinate and neurasthenic pride; a propensity for inaction coupled with much verbal noise and promise; conceptions of what is real, what is a fact, which cause the modern western mind simply to gasp; all these are other Spanish maladies militating against progress. Perhaps only some great shock (the shock of war has been suggested) can jolt Spain out of these and kindred habits of mind. Perhaps radical methods in educating the younger generation will do the trick. But more likely than not, Spain will simply adjust itself to some form of government quite compatible with its own mental ways. In such case, even a socialist or an anarchistic Spain would always have a mediæval, even an oriental, tinge.

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DEMOCRACY IN NEW ZEALAND

By Lloyd Ross

UNIMPORTANT as New Zealand is today in world affairs—only a million and a half people sharing less than one percent of the world's trade — there was a time when sociologists came to investigate our institutions. For a quarter of a century New Zealand prided itself on leading the world in extending state social services and giving equality of opportunity by means of legislative action; today New Zealand has not merely retrenched and economized, but has lost much of her faith in the governmental institutions and social services which so amazed André Siegfried, H. D. Lloyd, the Webbs, Ramsay MacDonald, and many other foreign observers.

New Zealand was the first country to attempt to settle industrial disputes by the legal processes of a Compulsory Court; the present Coalition Government, part descendant of the Liberal Party which made New Zealand "a land without strikes," has scrapped the compulsory arbitration system in industrial relations. The Liberal Party rose in the eighties of the last century as a revolt against the "Skinflints," whose one remedy for an economic crisis was to economize and reduce wages; the Liberal Party in the next great depression has set up a National Expenditure Commission, which has peered into every pigeonhole of state assistance to the people and has proposed to settle the crisis by discontinuing, among other things, free books to primary school children in necessitous cases, abolishing local administration boards, making more difficult the training of teachers, raising the minimum age of admission to primary schools, abolishing all grants for adult education, abolishing family allowances, cutting down old age pensions, and so on. Except for protests from the interests concerned, such economies are being accepted willingly, sometimes almost joyously, as a proof of the determination of New Zealand to adjust herself to the depression by doing without "frills" and "luxuries." The government set up a committee of economists who found that the national income had fallen from £150,000,000 in 1928–29 to £110,000,000 at the beginning of 1932. They advocated a second cut of 10 percent in wages and salaries of civil servants, a lowering of interest and rents, and a special impost on the rentier class. The government adopted

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these suggestions in an attempt to adapt the national expenditure to the falling national income and to assist the primary producer to compete on the world market.

It may be that economy and retrenchment are necessary, but the contrast between the reactions of the people in the nineties and their reaction today — between their belief then that legislation could remove the crisis, and the acceptance now of the necessity for adaptation to a crisis — raises questions of universal interest. Does the extension of social services by a democracy bring a loss of faith in those social services? Do democracies sooner or later give up the task of molding economic life so as to avoid depressions?

I

Why was it that the New Zealand electorate from 1891 to 1912 returned a Liberal Party (the popular party) pledged to progressive legislation, when today the Labor Party (claiming to be the new popular party) can win only 24 seats in a House of Parliament of 80 members? The common answer is that the Liberals were "sane" and "moderate," unlike today's allegedly "irresponsible" and "extreme" trade-union-ridden Labor Party. But all the epithets now hurled at the Labor Party were attached to Premier Seddon and his Liberal followers. "The Seven Devils of Socialism" they were called, while a large minority kept repeating that "the workingman's Socialistic ministry" with their "revolutionary notions and ideas" would undermine New Zealand's credit and hold the country up to ridicule. The Liberals set up the Arbitration Court in an attempt to settle all disputes between employers and employees without recourse to strikes. They compulsorily subdivided large estates and assisted in the redistribution of them among small landholders. They granted old age pensions. Such acts were regarded as being as dangerous to property holders as today the nationalization of land and industry are regarded. Today the criticisms are believed, whereas Seddon was returned as Premier until his death in 1906, and became a national hero. The nineties had still to try democracy and state interference. Have we tried them and found them wanting?

The immigrants who came to New Zealand were in search of a New World. The horrors of Great Britain still fresh in their minds, they were aroused to a sense of their own danger when there was

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an exposure of sweating conditions in the colonial clothing trades. Was it for this, they asked themselves, that they had escaped from the Old World? And having already found it necessary to build railways under state control (for there were no capitalists large enough to lend money or to guarantee loans), as well as to own and administer all land in the colony, they prepared to extend the franchise and to meet economic difficulties by state assistance.

Thus from the beginning New Zealand politics were written in terms of state paternalism and state intervention in industry. It is difficult to find any other binding thread. Social philosophy we have none, for we have repudiated any theory by our legislative acts. An hereditary class we have not, although we are said to have the largest number of knights proportionately to our population of all the British Dominions. We believe only in the state, which we may criticize, attack and repudiate, but from which, whether Reform, Labor or Liberal, we cannot escape. It was partly economic conditions, especially the scarcity of capital, which forced the state to build railways, irrigation schemes, telephone systems, harbors and other public works; partly it was because the immigrants were independent of the restraints of Europe and susceptible to the ideas of change. During the eighties and nineties the news of the successes of German socialism filtered in. The victory of the London dockers' strike, made possible by Australian and New Zealand assistance, presented a happy augury to the colonists, who were reading avidly Bellamy's "Looking Backward," Henry George's "Progress and Poverty," and the writings of John Stuart Mill, H. M. Hyndman and the Fabians. Falling prices for exports intensified a depression that had begun locally with the collapse of a too extensive system of borrowing for public works. Large tracts of sparsely cultivated land were held by a few individuals; this irritated the unemployed, who desired nothing better than the opportunity of becoming yeomen farmers. Parliament was dominated by the sheep kings and English conservatives. It was not that even they were opposed to state intervention, but that they were out of touch with the desires of the people. As shown later, they were willing to modify the theories of laissez-faire which they had brought from England, but at the time they were unaware of the awakening of a democracy that wanted land and opportunity. Far more sensational than a Labor victory would be today was the Liberal victory of 1891.

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Seddon, who became the Premier of the Liberal cabinet in 1893, based his political creed on a broad and vague humanitarianism. Like most colonials, he was impatient with social philosophy and distant aims, concentrating on the immediate issues (such as manhood suffrage, factory legislation and land subdivision) that seemed to him to offer a solution of some pressing problem. He had a bias towards state action, but would not generalize on the need for complete nationalization of industry. When he wanted to hinder the growth of a monopoly he supported the purchase of a state mine and the setting up of state insurance, but he was not prepared to give the state a monopoly of activities that were already in private hands. He went to the assistance of the leading bank in the colony, and although the government obtained representation on its directorate he was not prepared to carry out the demand of some of his followers and establish a state bank. The sufferings of the people made him a Liberal, but he did not like labels, and he did not argue that sufferings could be ameliorated only by state action. Some of the Liberals were really Socialists, but they were willing to use the state if the need arose rather than anxious to seize a chance to apply state action. So they brought in their pioneering legislation which gave the people what they wanted — the Land and Income Tax Act, franchise to women, local option on the liquor question, financial aid to settlers, assistance to workers buying their homes, a Public Trust Office, a state mine and state insurance. Every act interfered with private property in the interests of the small farmer or the artisan.

The separatist, interested, immediate needs of New Zealand voters have dominated all parties since they found their ideal in Seddon, whose only qualification for statesmanship was that he could put into legislation the passing needs of the people. When the Liberal Party was short of an election bait, he could find a new desire to be fulfilled, and as long as the government could get the money to carry out the new promises it seemed that the Liberal Party would control New Zealand forever. The fundamental reason why the Liberal state interference and state paternalism failed was that the policy developed into a type of bribery which seldom fitted the particular interest which was being served into a social ideal or a general plan of reconstruction. New Zealand democracy learned first, what all democracies have realized since, that a candidate for their votes is willing to promise

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much and will try to carry out his promises in order to remain in their good graces. The main test of most schemes of government interference was not the general benefit to the country which would follow, but the circulation of money in the electorates. Seddon died in 1906. His party was defeated in 1912.

The Liberal Party lost office partly because the Conservatives learnt also to give the people what they wanted, and partly because Liberalism itself became more and more conservative. The trade unionists, disappointed by Liberal performances, consolidated by the years of prosperity, and ambitious to find a more important place in the Party, fell away and formed a Labor Party just at the time when the small-scale farmer, having received the freehold for the land which the state had assisted him to obtain, felt that it was no longer necessary to support state intervention or progressive legislation. The Conservatives remained in power, under changed political labels, until 1928. They were succeeded by the remnants of the Liberal Party, led by Seddon's lieutenant, under the name of the United Liberal Party. Labor was the third party. With the coming of the depression, the Reform and Liberal Parties united to keep out Labor, and won the election in 1931.

We have traced the political history of New Zealand from an oligarchy of Conservatives to a coalition of Conservatives (the Reform Party) and Liberals. We have seen the electorate, in one depression, putting into power a Liberal Party which introduced radical and progressive legislation. We have seen that Liberal Party losing its inspiration and its energies to a Labor Party. But that Labor Party is unable to obtain power because the people have lost the faith, supreme in the nineties, that it is possible to mold a new world by legislation. The state still interferes, but only those who are supposedly benefiting from that interference are prepared to defend state activity.

II

The difference between New Zealand political life in the nineties and today may be summarized as a swing to the right, a weakening of the political influence of trade unionism, a disillusionment with social reforms, and a growing apathy and cynicism towards politics. The prosperous small-farmer bias brought conservatism, and the present depression seems to have hardened it instead of producing the progressive farmers' movements of the

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United States and Canada. (There are, however, a few signs of an interest in currency schemes such as characterized the United States in the past.) The reasons for these changes are: the comparatively wide spread of prosperity among the people before the depression; the fears aroused by the Russian Revolution and the unrest in Europe lest a movement to the left would mean the destruction of private property; the failure of Australian Labor to fulfill its promises; the disillusionment with state interference; and the coming to fruition of the earlier methods of Liberal democracy without the discovery of any new men, ideas or methods to take their place.

Democracy destroys its own supporters. The social reforms of one party must be accepted by all if votes are to be won. Elections in New Zealand were a process of one party's catching another bathing and acquiring the one set of clothes of social reform which covers the nakedness of all parties alike. Seddon drove out a party who made "economy a vice and retrenchment a nightmare." The Conservatives returned because they were able to persuade the people that they fitted the clothes better. They renounced stern economy, free trade and individualism, borrowed millions, lent money to the farmers on whom they were chiefly relying for their support, bought and subdivided great estates, and regulated private trading in a way that, according to a Liberal historian, "might have made the conservative New Zealanders of the eighties turn in their graves." New Zealand learnt to use the vote to satisfy interests earlier, more consciously and more completely than other democracies. There is no motive for taking the plunge to give the Labor Party an opportunity to administer the affairs of state if the other parties are able to persuade the electorate that they are granting as many reforms as Labor could or would grant. When old age pensions were introduced in 1898 they were surrounded by a number of restrictions and qualifying conditions which in subsequent years were struck out, while the amount of the pension was increased. Was there any limit? It was certainly not a political one, for the Conservative leader in 1905 put forward a proposal for a universal pension. The Reform Party (the Conservatives by tradition) stole another reform when it introduced a child endowment system just before the slump. Labor said that the amount of two shillings a child was not enough. The Reform Prime Minister agreed, and promised to give more when financial conditions improved. The proper adjec-

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tive therefore to be used to explain the intervention of the state in New Zealand is not "socialistic" but democratic, for all governments have been compelled to interfere in order to win votes.

The New Zealand experience has been that to make people prosperous and secure is to make them apathetic and self-satisfied. Every person who obtains a house through the State Advances Department becomes less sensitive to the sufferings of others and more susceptible to the suggestion that the return of Labor would mean the confiscation of his garden. The state increased the area of Crown Lands, and established on them small holders, whose main political interest for a decade was the agitation for the freehold, much to the disillusionment of the single taxers and the socialists, who had hoped that the opposition to the squatters might be directed into land reform channels. The nineties had still to see tried the schemes which we since have found wanting. Equality of opportunity and freedom of expression, economic security and progress without strikes, were dreams that inspired the people in the same way that the Russians are today being inspired; the practice of those ideals has left us tired and disillusioned. We are no longer enthusiastic about leading the world. When social ills are pointed out, we find satisfaction in the belief that other people are just as unfortunate. We have sucked democracy dry. Lord Bryce and Lord Passfield drew attention to the "vulgarity of ideas and absence of refinement among the politicians, which is the result of the pioneer life that they have led." Recent observers declare that the type of politician has declined. Although there is some research being carried out in industry and agriculture it has had little result beyond improving the yield of butter-fat. One of the first measures of economy was the decision not to carry out the regular taking of the census. In the cities, leading business men occupy the main municipal and social posts, but they show no more understanding of economic and social problems than do the politicians themselves. The worst form of mercantilism has been revived by local manufacturers; the main hope of recovery is in some form of Imperial Preference for our primary products. While the English Labor Party is belittling the idea that the Ottawa agreements will widen the market for English manufactures, the New Zealand Labor Party is declaring that local manufacturing will be destroyed. "Buy New Zealand Goods" has become not merely the highest form of patriotism, but the highest form of Christianity as well.

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New Zealand has suffered so much from interested state intervention that it will probably be the last country to plan economic development. The worker is jealous of the civil servants, who until the depression were given more security, higher pay and superannuation privileges, and were accused of wasting the money of the taxpayers. Since state intervention was seldom defended by an appeal to the economics of socialism, "socialism" today to the majority means railways which do not pay and which run late, postal officials who sometimes are short-tempered, inspectors who are worrying the farmer to clean his land or are putting restrictions on the individual in hundreds of different ways. The state is a gigantic purse out of which we would take endless aids; a thief that seizes our savings; a pleasant old lady that is taken in by every beggar she chances to meet; a diplomatist who is able to reconcile free trade, imperial preference, laissez-faire and state industries. The metaphors are mixed, but not more so than New Zealand ideas about the state. Road transport is hindered, licensed and taxed, because it competes with the state railways, but as yet we are not prepared to coördinate all forms of transport under the state. A policy advocated by a responsible journal of cutting down the number of civil servants by a fixed proportion every year might be a burlesque of the average man's attitude to state enterprise. The coal miners are able to rally the Labor movement for a policy of using New Zealand coal only, the seamen attack the American shipping lines, and the doctrine spreads that if everyone is assisted the injury done to the whole by sectional interference will be avoided.

New Zealand is a study in isolation. The Old World supplied the Chartists, the gold miners and the trade unionists who took advantage of the favorable conditions to apply their theories. Hatred of the Old World provided the leaders and the incentives. Streams of immigrants kept alive the sense of wrongs done at home and maintained some contacts with the thought and outlook of Europe. A very large percentage of the Labor leaders and trade unionists came from Australia or Great Britain. Then the make-up of the population changed. More and more the local born is dominating the outlook, and the local born grows more and more homogeneous. We take pride in the fact that we are 98 percent British, but we have no melting pot to keep us alert and to produce new ideas.

The war intensified our imperialism. We have no desire for a

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new status. Only once have we sent delegates to the International Labor Office, and then our official representative returned to sneer at the work being done there. According to an analysis made in 1931, only five of the 26 I. L. O. Conventions could have been immediately ratified by the New Zealand Government without the introduction of any further legislation. Of the remainder, 7 required merely formal changes in the local law, 5 would involve substantial improvements in the New Zealand standards without raising issues of major importance, while 9 involved both an improvement in standards and important changes in the law. Responsible public opinion has declared that the League of Nations is dominated by Catholics, that it has interfered with missionaries, and that it had no right to criticize New Zealand's administration of Samoa. Our Prime Minister applied to the League the commonplace criticism of our own civil service, that the number of permanent salaried officers seemed to be "growing like a snowball." Isolation has thus intensified the complacency of a prosperous democracy. When we could no longer keep up the pretense that we were independent of world events and ideas, we hoped that deliberate isolation either of New Zealand or of the Empire would keep us safe from the machinations of communists, Americans or Jews. One of the formative influences in the nineties was Edward Bellamy's "Looking Backward;" recently the customs authorities banned his "Parable of the Water Tank." A university lecturer was criticized for writing an introduction to a pamphlet on Soviet Russia. The Minister for Education has attempted to interfere with the expressions of university staffs.

Few of the politicians and business men are able to appreciate the fact that an improvement in world trade is the only method of raising the standard of living even of New Zealanders. Referring to the whaling industry, a Member of Parliament revealed our typical approach to such problems when he said that the foodstuffs being produced from whale oil were a serious menace to New Zealand produce. He considered that it was a matter for the League of Nations to stop the indiscriminate slaughter of whales and make the industry one that would last for all time. If the League could be persuaded to interfere on behalf of New Zealand industries in some such direct way as this, instead of the more remote and more permanent method of raising the standards of all peoples, we would be persuaded that it was worth the £13,000 which we begrudgingly contribute. Otherwise we shall look to the

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Empire still in an idealistic way, but more and more with a narrow economic squint as to what we can get out of it. Empire trade is the ideal; a tariff against foreign foodstuffs the immediate desire.

Only education and contacts with the world could have saved us; but education we began to despise, and contacts we considered dangerous or unnecessary. Bureaucracy tended to stifle all experiments. A dull mud of uniformity and convention has spread across the land of the nineties that seemed so fertile for young and varied growth. Dr. Condliffe, in his "New Zealand in the Making," writes: "Largely because of the failure of the university to develop even a minority which shall be critical, skeptical and eagerly inquiring, and acutely conscious of ideas, the concepts of social behavior remain nebulous, conservative and largely negative. There is little real freedom of opinion, public opinion is intolerant, and the rebel or even the radical tends to have an uncomfortable time. There are many evidences of failure to evince any real trust in freedom of thought and expression." We expected miracles from education; and when the slump came we blamed education, so that a member of the University Council declared: "I think we are pretty well over-educated as it is. It would not do any great harm if we did without a professor of education." The men who set the standards in culture are the business men, and their main standard is tradition and convention.

And so we drift along, benumbed by former years of prosperity, hopelessly lost amid economic changes, panic-stricken by the depression, afraid of all activity or else losing ourselves in futile currency schemes. We will be the last country to experiment, because we are so dissatisfied with past experimentation.

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SALVAGING THE DEBTS OF EASTERN EUROPE

By Nicholas Roosevelt

SO MUCH emphasis has been laid on the three billions or more of American investments and advances tied up in Germany that little consideration has as yet been given the fate of $650,000,000 of American money poured into the states of Eastern Europe during the years 1920–1931. Five of these eight states have bonds listed on the New York Stock Exchange which are in partial or total default due to local regulations prohibiting payments on foreign debts except in local currency — namely, Austria, Bulgaria, Greece, Hungary and Jugoslavia. The finances of these five countries, and of Rumania, Czechoslovakia and Poland, have been passing through a series of severe crises. The first five, together with Rumania, rigidly control their foreign exchange operations. Even Czechoslovakia, whose foreign debt is insignificant, has had to fight to safeguard its currency and to keep its financial house in order.

Of the $650,000,000 of American money tied up in this region about $50,000,000 is in short-term loans. Most of this is in Hungary and Austria. The balance, consisting chiefly of long-term indebtedness, both corporate and governmental, was divided as follows at the end of 1930, and has probably been only slightly reduced since that date by repatriation:

Austria	$115,065,000
Bulgaria	14,093,000
Czechoslovakia	35,393,000
Greece	52,987,000
Hungary	118,878,000
Jugoslavia	57,965,000
Poland	177,323,000
Rumania	25,211,000

How much, if anything, of this $650,000,000 can be salvaged and how best can the salvaging operation be carried out?

In estimating the probable ultimate capacity of these countries to pay their foreign debts we must ascertain the following facts for each: 1. What proportion of its indebtedness is due foreigners? 2. What is the total volume of its foreign debt? 3. What is the relation of its debt service charges to its capacity to transfer

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payments abroad? 4. What has been the history of its foreign trade, especially regarding its ability to establish a surplus of exports over imports?

Figures showing the ratio of foreign to domestic non-governmental borrowings are not obtainable. However, the following table, showing the percentage of government debts held abroad, probably reflects correctly the ratio in the case of general indebtedness, for the reason that in Eastern Europe the amount of capital available for domestic investment is small.

	Percentage
Austria	84
Bulgaria	88
Czechoslovakia	18
Greece	74
Hungary	93
Jugoslavia	71
Poland	88
Rumania	83

It is obvious that not only have foreigners provided the major part of the funds to finance the governments of these countries, but that the failure of five of the governments in question to maintain the service charges on their debts has been a blow to foreign creditors more than to domestic creditors. The debt problem is therefore of primary concern to foreign nations.

Let us now consider the volume of indebtedness of these nations. The following table shows in one column the total external debt of each in millions of gold dollars, including public and private debts, both long-term and short-term, and in column two the per capita debt in gold dollars.

	Total External Debt (in millions of dollars)	*Total External Debt, Per Capita (in dollars)*
Austria	470	70
Bulgaria	140	24
Czechoslovakia	397	27
Greece	469	73
Hungary	733	84
Jugoslavia	635	47
Poland	865	27
Rumania	1,023	57

The foregoing table, adapted from the preliminary report on the Stresa Conference published by the League of Nations,[1] shows

[1] League of Nations, C. 666. M. 321. 1932. VII.

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that, although Rumania has the largest total debt, with Poland second and Hungary third, Hungary comes first on a per capita debt basis, with Greece second and Austria third. The per capita figures are a truer gauge of the comparative debt burden of the nations than are the bare totals.

Payments on debts can be made, theoretically, in four ways: in gold or foreign exchange; by a surplus of exports over imports; by services, shipping, insurance, tourist expenditures, immigrant remittances, etc.; by fresh borrowing or reinvestment. In actual practice, payment is usually made by a combination of these four methods.

Let us consider the present situation of the countries of Central and Eastern Europe with regard to these four methods of paying debts. We see in the first place that none of the nations in question has a surplus of gold or foreign exchange. Secondly, none of them renders services which bring in a large enough revenue to be of material assistance in paying debts. Only Austria and Greece count on substantial receipts from the tourist trade. Immigrant remittances to all of these nations except Greece have fallen off so sharply that they no longer are an important factor in the balance of international payments. In the third place, none of the nations, with the possible exception of Czechoslovakia, is likely to be able to borrow substantial sums abroad for a number of years. The prospects of reinvestment remain to be studied and may prove valuable to foreign creditors.

The Report of the Stresa Conference points out that the ratio of a nation's foreign debt service charges to the value of its exports is a measure of the burden of its foreign debts. Taking the average value of the exports of these countries for the years 1929, 1930 and 1931 as a measure, we find that the ratio of the present external debt service to exports is as follows:

Country	*Percentage*
Austria	16.4
Bulgaria	15.3
Czechoslovakia	4.4
Greece	36.9
Hungary	33.9
Jugoslavia	20.9
Poland	19.4
Rumania	24.7

A glance at this table shows that all the nations must export more than they import in order to pay the service charges on

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their foreign debts. In the case of Hungary and Greece, they must in theory export a third more than they import.

What is the record of the balance of trade of the different states over the past decade?

Austria and Greece have had a persistently adverse balance of trade.

Bulgaria's balance has been adverse in seven out of ten years, Hungary's has been adverse in eight out of ten years, Poland's has been adverse in six out of ten years.

The balances of trade of Rumania and Jugoslavia have shown greater fluctuations. Rumania's has been favorable in six years and adverse in four. Jugoslavia's has been favorable in five years and unfavorable in five years.

Czechoslovakia alone has had a persistently favorable balance of trade.

It is noteworthy that both Rumania and Poland in the year 1931 had a favorable balance of trade almost equal to the total service of their external debts. Czechoslovakia more than covered her debt service by her surplus of trade.

The fundamental factor in a favorable balance of trade, of course, is a nation's capacity to produce goods which other nations will buy — to produce them cheaply and in substantial volume. In this respect, Rumania, Poland and Jugoslavia, even though heavily indebted, are in a favorable situation, as they have more abundant natural resources than either Hungary or Greece and are less dependent than either of those two nations on other countries for essential imports. Poland has its surplus of good coal, and Rumania has its oil to sell. Furthermore, the internal purchasing power in those two countries and in Jugoslavia and Bulgaria is very low. That means that any great increase in the demand for imported articles is unlikely in these countries, with the result that those of them which have exportable raw materials should find it less difficult to maintain a favorable balance of trade than would Hungary, which has only agricultural resources. In this respect Austria is at an even greater disadvantage than Hungary, as she is largely dependent on foreign sources for essential raw materials with which to carry on her industries. Austria's exports consist mainly of articles manufactured, usually with imported coal, out of imported materials. It therefore is more difficult for her than for other nations of the group, with the exception of Hungary and Greece, to substitute a surplus of exports

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for a surplus of imports. This is one reason why the comparatively large debt of Austria is a serious handicap to that country, even though the ratio of the debt service to exports is not excessive.

It has frequently been asserted in the debtor countries that the capacity to pay debts depends on an increase in world prices. This assertion should be accepted only with reservations. It of course is true that an increase in world prices will materially raise the receipts from exports; but it will also increase the cost of imports. In other words, the real problem is not so much to increase the revenues from exports as it is to increase the surplus of exports over imports.

This problem is already receiving the attention of the governments of the different countries in question, as well as of the Great Powers. But it is complicated by political factors. As has been shown by Mr. Armstrong,[1] the Danubian states already export to each other about as much as they can absorb. If an outlet is to be found for their surplus products it must be found in Germany, Italy, and perhaps Switzerland. Unfortunately, the French for some time opposed all efforts to establish closer trade relations between the Danubian states and Italy and Germany. There are signs now that this opposition may be withdrawn, at least in so far as Italy is concerned. But a further complication arises from the fact that the United States, Argentina, Canada, and Australia are reluctant to see any arrangements made which will facilitate the export of grains from the Danubian states to Germany and Italy at the expense of overseas grain. An arrangement regarding wheat has been worked out at the London Conference; but the existence of the most-favored-nation clause presents a constant obstacle in the way of other similar arrangements, as whatever advantages they might hold would largely be nullified if the agreements were general rather than preferential.

There is a real conflict of interests, then, between those who wish to sell goods abroad and those who want to collect debts. And this conflict further complicates the problem which we are discussing. American producers, whether industrial or agricultural, are naturally more interested in selling their surplus abroad and preventing dumping by foreign nations than they are in seeing American investors and bankers recover their loans. This produces divided counsels at home, and so makes the American Government even more reluctant than usual to help the creditors.

[1] "Danubia: Relief or Ruin," by Hamilton Fish Armstrong, FOREIGN AFFAIRS, Vol. 10, No. 4.

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An unexpected form of relief for the debtor nations has been furnished by the departure of the creditor nations from the gold standard. Acceptance of the principle that dollar bonds are not payable in gold but only in dollars has already reduced the debt burden of our debtors by about a third. If the inflationists have their way in this country and depreciate the dollar still further, the foreign creditors of the United States will benefit still further. Furthermore, should they follow the example which we have set them, should they make a unilateral decision that payments can only be made in their own paper currency, and then depreciate that currency still further, they may succeed in paying off most of their debts on an even more reduced basis.

Let us now turn from the situation of the debtors to that of the creditors. Obviously, the problem of protecting the interests of the latter in Eastern Europe is particularly difficult because the creditors not only are divided among several nationalities, but because there are conflicting interests between different classes of creditors as well as rivalries within each national group. Speaking generally, about two-thirds of the long-term loans made to the nations of Eastern Europe came in about equal proportions out of British and American savings. The remaining third was furnished by investors in Sweden, France, Holland and Switzerland. In the case of the short-term advances, a larger share came from France — presumably because of political advantages attaching to emergency short-term help.

In theory, the Finance Committee of the League of Nations furnishes the appropriate channel for dealing with the problem presented by the debts which we have been considering. And as a matter of fact, the League has appointed financial advisers for Austria, Hungary, and Bulgaria, and has facilitated investigations of the financial conditions of Rumania and Greece. The men chosen for these various tasks have shown exceptional ability. But their work has been confined to supervision of budgetary and financial matters. They have not been empowered to speak for the creditors and, contrary to a statement occasionally heard in Europe and America, they are not charged with the primary purpose of protecting the loans made under the auspices of the League of Nations.

As a matter of fact, the main criticism directed against them and against the Finance Committee has been that the League has not allowed them to take enough responsibility. This is probably

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due to an understandable desire on the part of the Finance Committee to avoid becoming implicated in the cross-currents of European politics. A way of overcoming this difficulty might be for the Finance Committee, in conjunction with the Bank for International Settlements, to appoint a committee representing the principal creditor nations and to lay before that committee all available information on the financial and economic status of the debtor nations. This committee, after careful investigation and after consultation with the Finance Committee and the Bank for International Settlements, could then recommend the course of action to be followed in the case of the separate debtor nations.

Presumably, the representative of each creditor nation would have the confidence of the individual creditors in his country and could discuss with them the nature of any general proposal made for the reorganization of the indebtedness of the various debtor countries. In England, he would probably work with the Corporation of Foreign Bondholders. In France he would work with the *Association Nationale des Porteurs Français de Valeurs Mobilières*. In America, failing the eventual creation of an authoritative organization representing the interest of the bondholders, he could work with a committee chosen by the principal houses of issue. It would also be necessary for the representatives of the different nations to be themselves in contact with the groups already organized to defend the interests of the short-term creditors.

With the exception of the standstill committees appointed to consider the short-term debts, the creditors have until now acted more or less independently. The national groups have done little to coöperate with each other. The representatives of long-term and short-term interests have not coördinated their plans. The resulting disorganization has helped dishonest debtors and dishonest creditors alike. If there is to be fair play for all, and if common sense is to be applied to the problem of recovering as much as possible of the foreign debts owed by Central and Eastern Europe, the creditors must coöperate in working out a plan which is fair to different classes of creditors and which at the same time gives the debtor nations a chance to recover.

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TEN YEARS OF THE TURKISH REPUBLIC

By Hans Kohn

THE Treaty of Lausanne was signed July 23, 1923. A few months later, on October 29, 1923, the Grand National Assembly at Ankara proclaimed Turkey a republic, and Mustafa Kemal Pasha was elected its first President. These two events marked the end of one epoch and the beginning of another in the history of Turkey, indeed in the history of the entire Near East. The Treaty of Lausanne delimited Turkey's boundaries and determined her place among the nations; the constitutional changes of the following October transformed the country's internal organization.

Mustafa Kemal's appointment as President was the external symbol of these new developments. The capacities of this born leader — full of energy, sure of his aims, without scruples — were favored by the general trend of the times, so that he was able to bring about a complete change in the structure of the state, its laws, and its economic and cultural life. The same tendencies are at work everywhere in the east today; but in Turkey it has been possible to carry them into effect more thoroughly than elsewhere. For in Turkey the soil had been prepared by the persistent efforts of the intelligentsia for fifty years, whereas, up to the beginning of the twentieth century, the other countries of Eastern Europe can hardly be said to have been very amenable to western influence. Turkey's victorious campaign against Greece, an ally of the Entente Powers, and the tearing-up of the Treaty of Sèvres put the Turkish masses in a state of mind which made radical changes in the structure of the national life possible. For they not only had attained to a political liberty such as they had never known before; with it they had gained a new self-confidence and an implicit trust in the man who had been their leader during the war of liberation and who now set himself the task of modernizing the nation.

Just as in Italy since 1922, and as in Germany since early in the present year, the conduct of political affairs in Turkey rests today on the personality of a leader. There is a difference, however, in the fact that the Turkish *Duce* was permitted to satisfy the demands of his people in the sphere of foreign politics before he started work on his internal reforms, a fact to which he owes his

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surname *Ghazi* — "the Victor." Another fact characteristic of the different social development in the three countries is that Mustafa Kemal belongs to the upper middle classes and is a member of the officer caste, whereas Mussolini and Hitler come from the people.

In its social-political structure Mustafa Kemal's dictatorship is more like Mussolini's in Italy than that of the National Socialists in Germany. The Italian and Turkish dictatorships came into being about the same time; both belong to the sphere of Mediterranean culture; both have gone to work gradually and on an empirical basis. Whereas the Nazi dictatorship in Germany has contemptuously turned its back on the "stupid and unheroical" nineteenth century, Mussolini and Mustafa Kemal make it their aim to bring the nineteenth century to its consummation, in so far as it has not yet, or at least not entirely, taken hold of their countries: in Mussolini's case this applies above all to southern Italy and to the Italian islands. Both of them want to supplant the traditional tempo of life in the agrarian and backward parts of their Mediterranean countries by the rhythm of the industrial north. We see a vigorous concentration of all national energies in the form of an intensified nationalism which, conscious though it is of a great past, is full of dissatisfaction with more recent history, when the countries in question were from many points of view mere picturesque museum pieces. Hand in hand with this nationalism goes the exploitation of all economic possibilities through an expanding capitalism, furthered and controlled by the government, together with industrialization and better education of the people. These are aims common to the Italian Fascists and to the Republican People's Party created by Mustafa Kemal, today the only political party in the Turkish state.

The statute of Mustafa Kemal's party also dates from 1923. It is imbued with the spirit of secularism and liberalism which is making such headway today in all the countries of the east, fulfilling everywhere the same task it did in Europe a century and a half ago, the task of overcoming the darkness of the religious and feudal Middle Ages. The first article of this statute reads: "The goal of the party is government by the people and for the people, together with the elevation of Turkey to the status of a modern state." The other articles demand complete separation of religion and politics, social reorganization on the basis of modern civilization and the empirical and positive sci-

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ences, equal rights without exception for all citizens, and the abolition of all privileges on the part of any callings, groups or individuals. Stress is also laid on the importance of Turkey's participation in cultural tasks and on equal rights for women.

In keeping with this, the Turkish Constitution is radically democratic. Actually, however, although the constitutional power of the President is very slight, he is an absolute dictator. According to the Constitution, all legislative and executive power is vested in a Grand National Assembly, chosen by the people. By a majority vote the National Assembly elects one of its members to be President; the ministers are chosen from the National Assembly and are responsible to it; it decides upon war and peace and upon all treaties with other nations, and it can also decree its own dissolution. The President, it is true, has the right to veto any laws passed by the National Assembly; but if a law is then passed a second time, his veto is thereby overridden. Thus, according to the letter of the Constitution, the representatives of the people are invested with absolute power.

By means of a clever scheme, however, the President, while constitutionally without undue influence, becomes the real autocrat. The Chamber is understood to represent not merely the will of the people, but the completely unified will of the people. All representatives belong to the Republican People's Party, whose President, according to its statute, is Mustafa Kemal. He also appoints the Vice-President and the General Secretary of the party. The three together form the Presidial Council, which designates the candidates for the parliamentary elections. The decisions of the Presidial Council are absolutely binding on all members of the party. It also elects the twelve party inspectors, who are responsible for the organization of the party throughout the state. The Republican People's Party, and it alone, has its organization in every locality. Thus the Grand National Assembly, ruling the country with absolute power, is the source of all laws and of all actions of the government; the Republican People's Party in its turn is the absolute ruler of the Grand National Assembly; while President Mustafa Kemal is the absolute ruler of the Republican People's Party. The entire power of the state is vested in him alone.

In internal affairs, Mustafa Kemal's policy rests on the three principles of nationalism, secularism and industrialism. These ideas are not new in Turkey any more than elsewhere. Up to 1908,

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the Ottoman Empire constituted a supranational unit, held together by religious and dynastic bonds. In those days the head of the dynasty, *i.e.*, the Sultan, was at the same time the religious head of all Mohammedans, *i.e.*, the Khalif. The idea of the Empire rested on the fact that its subjects were Mohammedan, quite irrespective of their nationality and language. Abdul Hamid II, the last great ruler of the Osman dynasty, which in past centuries produced a number of powerful leaders, made one last attempt to preserve Islam as the foundation of the state against the inroads of the modern age. But the rule of the Sultan-Khalif, founded on a mediæval idea of empire, was an anachronism amid modern nations and under modern economic conditions, and was kept alive temporarily only by the selfish interests and the mutual jealousies of the European Powers. Abdul Hamid's romantic and reactionary policy of shutting Turkey away from foreign influences was in the long run unable to prevent the entrance of new political ideas and forces. Under their onrush the five-hundred-year-old empire rapidly broke up.

The new leaders who now came to power — the Committee for Union and Progress — were dominated, like Mustafa Kemal, by the modern political ideas of the west. Their ideal was the secular state of the people, as embodied in a nation united by common descent, language and historic ideals. In this way they came into conflict with Pan-Islamism and the religious foundations of the Empire, and also with its other inhabitants, both Mohammedan and non-Mohammedan. They strove to replace the religious Pan-Islamism by another conception, based on race and language, Pan-Turanianism. This, it was planned, would become the rallying-cry for the Turkish peoples of the Caucasus, south-eastern Russia and central Asia to unite under the leadership of the Osman Turks. Enver Pasha, who fell in August 1922 while fighting against the Soviet army after being proclaimed Emir of Turkestan, was trying to save at least the old Turanian homeland out of the remnants of the shattered Pan-Turanian dream and the chaos of the World War.

The Young Turks had vainly endeavored to realize the idea of a modern national state amid the confusion of a dying empire, torn by national and religious tensions and incessantly threatened by superior enemies from without. After the World War, Mustafa Kemal took that idea up again under far more favorable conditions and put it into execution. He saw why the ideal of the Otto-

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man state was untenable, and why the ideal of the Turanian race could not be realized. In a realistic spirit he restricted himself to the Anatolian motherland of the Turkish people and decided to give his undivided attention to the Anatolian peasant, who had hitherto been carrying the burden of the idea of empire without any compensation. Notwithstanding the cruel way in which Mustafa Pasha in the summer of 1926 settled accounts with the former leaders of the Committee for Union and Progress, in order to eliminate any possible opposition to his personal leadership — the sort of leadership which leaves no room for partners — his conduct of the internal affairs of Turkey since the World War has been only a continuation of the same guiding principles which the Young Turks had observed fifteen years before.

But the Young Turks had lost the Balkan Wars and the World War; they had become the grave-diggers of the Empire, and it seemed as if, thanks to them, the Turkish name were destined to disappear from the theatre of history. Mustafa Kemal, on the contrary, was the victorious leader in the national war of independence, and the Turkey of his creation was the only one among the states vanquished in the World War which was able to replace the dictated and coercive peace by a favorable peace treaty concluded as between equals. To this must be added that this peace treaty created for the first time a Turkey which fulfilled all the prerequisites for a modern national state. Foreign control and interference with the sovereignty of the state, which (as in other eastern countries) had hitherto blocked all progress, were now things of the past. From the national and religious point of view, Turkey had become an almost homogeneous state. The Christian minorities hardly existed any longer. As late as 1923, there were a million and a half Greeks living in Asia Minor. They belonged to the original inhabitants of the country, and their towns and villages in Ionia and in the Pontus prided themselves on their connections with the centers of the old Hellenic culture on the eastern shores of the Ægean Sea. Like the Armenians, they have left their mark on the modern economic life of the country, thanks to their intellectual versatility, their industrial energy and their commercial gifts. By the compulsory exchange which began on May 1, 1923, all these Greeks were transported to Greece proper, and in return about half a million of Mohammedans were transferred to Turkey. In this way the Pan-Hellenic dream of resuscitating the ancient Greece around the Ægean basin, a dream which

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had suffered a great set-back by the military defeat of 1922, was now definitely robbed of any possibility of future realization. The Armenian problem had already been solved in an even more radical way, and by sinister methods.

Today there are neither Greeks nor Armenians left in Asia Minor; the only national minority still existing is composed of the Kurds, in number about 1,200,000. Mustafa Kemal has made an effort to solve their problem by trying to make Turks of them. He has pressed his action with cruel determination. In sanguinary fights his incomparably superior army has succeeded in quelling the repeated risings of the Kurds, who cherish their liberty; and for the time being their rebellious spirit has been broken. There was no room for national minorities in the Europeanized national state which Mustafa Kemal created, and none have been tolerated.

Nationalism goes hand in hand with secularization. Once the national state is regarded as the highest form of organization, religion is deprived of a considerable share of its former controlling influence both in public and private life. The citizen of the state becomes of greater importance than the co-religionist. But while secularization thus implies a far-reaching restriction of the social sphere of Islamic influence, it does not imply the end of Islam any more than enlightenment and rationalism implied the end of religion in Europe. The organization of the state and the administration of law and education, hitherto subordinated to the religious authority, are now emancipated and secularized. From these cardinal principles, which underlie all that is happening in the east today, Mustafa Kemal drew the logical consequences. During these ten years the modern, secular, national state has been established by rapid steps. On March 3, 1924, the Caliphate was abolished for the reason that there was no room for it "in a national state." Mustafa Kemal delivered a speech on that occasion in which he proclaimed "the deliverance of politics from religious prejudices." The Ministry for Religious Affairs was abrogated; all mosque schools were declared closed; the ecclesiastical courts, whose jurisdiction was based on canon law, were abolished. This paved the way for the complete secularization of the administration of justice and of education. Two years later, the monasteries of the dervishes, which had played an important part in the religious life of the Turkish nation, were closed. At the same time, new regulations were issued concerning

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the official attire and duties of the clergy, and the Mohammedan chronology was replaced by the European calendar. In 1926, the law of the western nations was adopted in its most modern form. This constituted the most significant step in the modernization of Turkish life. Turkish family law, which had hitherto been regulated by mediæval canonical precepts, was now established on a uniform basis in accordance with Swiss law. It was but the natural outcome of all these innovations that on April 10, 1928, Islam ceased to be the established religion of the state.

This secularization went hand in hand with the nationalization of religion — in other words, the permeation of Islam, which rested historically on Arabian foundations and was essentially supranational, with the spirit of the national Turkish culture. Turkish culture had been religious and humanistic, resting on Islamic and on national Arabian and Persian foundations. The classical Islamic literatures of the Arabians and Persians provided the matter for the instruction of the educated Turks, whose language was liberally interspersed with Arabic words and phrases. It was one of the aims of Turkish nationalism to make the language more popular and to divest it of its classic and religious associations. In 1929 instruction in the Arabic and Persian languages was abolished in the higher schools and replaced by the teaching of modern European languages. At the same time, a Turkish Linguistic Council was established at Ankara and charged with the publication of a dictionary and a grammar in which all words borrowed from the Persian and Arabic languages were to be replaced, so far as possible, by Turkish words. The Koran, the fundamental code of Islam, originally written in the Arabic language, had already been translated into Turkish, but it was on January 22, 1932, during prayers in a mosque at Istanbul, that *suras* from the Koran were recited for the first time in a Turkish translation. A few days later, at the conclusion of Ramadan, the month of fast, when the mosque of St. Sophia was crowded with worshippers, the Koran and the prayers were chanted in Turkish by the most renowned cantors, and this service was broadcast by radio to all Turkish towns, where receiver sets had been installed in the mosques. Some resistance surged up once more in orthodox circles against this consummation of the process of nationalization and secularization; but it was promptly suppressed.

General education and the emancipation of women are usually

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proclaimed as two principal aims of a nationalist movement. In both directions the new Turkey is making great progress. Notwithstanding the lack of teachers, text-books and financial resources, the government has put its whole strength into the fight against illiteracy. Special attention is being given to primary education, hitherto sadly neglected, the education of women, and training in handicrafts, industries and agriculture. In the schools stress is being laid on the importance of the new national spirit; foreign and missionary schools which are still in existence have to pay the same regard to the authority of the state as they would in any European country. The adoption of Latin characters and writing in 1928 might at first glance seem a merely external matter, like the introduction of European dress and headgear. As a matter of fact, however, these are but external symbols of an internal transformation of great significance. It is as if in a stuffy room the windows were suddenly thrown open. The entire nation is learning, with Mustafa Kemal as its "foremost teacher," and the transformation which has been witnessed during the past ten years in all domains of life, and above all in the status of women, is astounding. Women are now to be seen everywhere as officials and teachers. Relations between men and women have undergone a complete transformation, thanks to the new forms of social intercourse, to coeducation, and to the commingling of the two sexes in society and in sports. Sometimes it might seem that this movement is spending itself in externals, or that Ankara confounds undesirable habits of western life with its real substance, with its achievements through centuries of intellectual effort. But even though the change may sometimes be too rapid and too violent there can be no doubt that Turkish life has been taken hold of by new dynamic forces. A feeling of liberation, an onward-pressing energy, buoy up the new Turkish nation. The chief deficiencies are a lack of searching self-criticism (which after all is not unknown among many older nations either) and, in sharp contrast to the former attitude of self-depreciation towards Europe, an excessive self-esteem which sometimes is apt to confound appearance with reality, but which for all that is easily to be explained by the rapid progress which has been made and by the joy of the people over seeing success crown their efforts.

The Turkish Republic has produced its own scientific theory, or perhaps it would be more correct to say its own legend, regard-

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ing the past of the Turkish race, and it has seen to it that this is taught as a dogma in the Turkish schools. This too is a mere youthful imitation of other nations. Turkey is taking pride in her own past. In the 1923 program of the Republican People's Party, to which reference has already been made, we read: "Although our party wants to keep pace with all other modern nations in the path of progress and development and in the cultivation of international relations and intercourse, it is at the same time determined to preserve the individual character of Turkish society and its essentially independent personality." To provide for the education of the Turkish people in this new spirit, an organization was founded in 1912 under the name of *Turk Ojagui* with the aim "to recreate national life through the youth of both sexes on the basis of a new national culture and in accordance with the ideas of western civilization." In 1931 this organization was amalgamated with the Republican People's Party, and in 1932 it was transformed into a new association named "The House of the People." This "House" was intended to become, in each town throughout Turkey, the center of all efforts devoted to the education of the people. Its task comprises both Europeanization and nationalization. All the various "Houses" (in which alcoholic drinks and card games are prohibited) are to include departments for language and literature, fine arts, theatre, sport, social aid, work in the villages, popular educational courses, and bureaus dealing with libraries, museums and exhibitions. The influence of educational centers of this sort is apt to be much greater than legislative measures.

Similar tendencies are in evidence in the economic field. Hitherto Turkey had been a half-colonial country. It was dominated by foreign capitalism. This foreign capitalism was protected by special privileges, thwarted progress, and played into the hands of a corrupt domestic administration by concession-hunting of the most scandalous description. Mustafa Kemal's victory has made it possible to liberate the country from these conditions and to transform it into a state whose citizens are opening up the national resources of production in the interest of the nation. For this purpose they first had to do all those things which the European nations had done many decades before. The railroad system and other traffic arteries had to be developed so as to facilitate exchange between the individual provinces as well as intercourse between the interior and the sea-coast. In the domain

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of shipping, banking and commerce, foreign control had to be eliminated, so as to transfer the conduct of business into Turkish hands. Agriculture had to be modernized; intensive cultivation of the soil had to be fostered. Domestic industry had to be called into being, in order to make Turkey more independent of the importation of foreign industrial products.

It was in the nature of things that the state should take a very prominent and active part in this transformation of the country's economic life. For in such times of transition, when the spirit of economic initiative and technical discipline is still to be awakened among the people, only the state has at its command the necessary capital and possibilities of organization. From 1928 to 1932, the annual value of Turkish industrial products has risen (in Turkish pounds) from £40,000,000 to £100,000,000. Foreign corporations doing business in Turkey must have Turks among their members, and they have to employ Turkish citizens and use the Turkish language. The important shipping trade along the Turkish coast has been reserved for Turkish vessels, with the result that in the port of Istanbul the Turkish flag, which until quite recently had been seldom seen, has since 1929 been the one most in evidence. The mileage of the railway system amounted in 1923 to about 1440 miles; by May 1931 it had risen to over 3820 miles. Further extensive construction now under way will have the result that within a short time the whole of Anatolia will be traversed by two trunk lines, running from west to east and connected by numerous branch lines with each other as well as with the three seacoasts. At the same time a circular line is being constructed on the high plateau in the interior, with lines radiating in all directions.

In her endeavors to nationalize her economic life Turkey has not hesitated to create difficulties for foreigners and foreign corporations. Indeed, the defensive measures of the new Turkish nationalism often assume economic forms which are harsh and undesirable. It should not be forgotten, however, that in this respect too the west has been the teacher of the east, and that the latter has only been persuaded by bitter experience to relinquish its former passivity and to replace it by a new attitude which fills the west with astonishment and sometimes calls forth censure. The old *laissez-faire* has given way to a new spirit of independence, a new desire for self-respect and self-reliance. The European can no longer count on that preferential treatment

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and spirit of submission which he used to meet with at every step even as late as twenty-five years ago. But it is from the west that the east has learned his new will to self-assertion; and it is by means which are in use in the west that the east is now striving to liberate itself from the domination of the more advanced nations.

All sorts of attempts are being made to educate the Turkish masses to acquire capital and purchase domestic products. In April 1929 a demonstration took place in the University of Istanbul in favor of using the products of national industries. This was followed by exhibitions at Istanbul and at Ankara. At the beginning of the Mohammedan month of fast, Ramadan, in the year 1930, there were displayed on all mosques of Istanbul electric transparencies containing the injunction: "Waste is sin! Buy home products!" At the end of 1929, an Association for National Economy and Saving was founded at Ankara under the chairmanship of the President of the Grand National Assembly, and in the following year a "Week of National Saving" was observed for the first time. The proclamation by which it was instituted contained the following passages: "Citizens! In the past it was regarded as dishonorable to use Turkish products; in the past it was also regarded as dishonorable to call a Turk a Turk." In this way the self-confidence of the new nationalism is pervading all spheres of public and economic life.

Just as Mustafa Kemal's domestic policy is inspired by the wish to build up and preserve national independence, so also with his foreign policy. Before the World War, the Ottoman Empire, a mere pawn in the hands of the western Powers, endeavored to turn their mutual antagonisms to advantage, if only to prolong its own existence by a few years. But since the Peace of Lausanne, Turkey has been following a policy aiming consciously at peace, neutrality, and friendship with all nations. What she needs most is a breathing-space in which to modernize the state and reorganize its economic life. A close friendship unites Turkey with the Soviet Union. It was the attitude of the Soviet Union which during the difficult years between the Peace of Sèvres and the Peace of Lausanne made it possible for Turkey to show Europe a bold front; and it was the Soviet Union's action in renouncing the old Russian capitulations and concessions in Turkey which prepared the way for the country's political and economic regeneration. The Soviet Union felt that its fight against western imperialism was being furthered by the national revolutions in

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the Near East which were supplanting antiquated and corrupt monarchies, dependent on western imperialism, with young and emancipated régimes. This in no way implied any community of ideas nor is to be taken as showing that communistic doctrines have made any headway in Turkey. On the contrary, the new states of the east were quite successful in their endeavors to prevent communistic propaganda from taking root within their frontiers. It was purely a community of interests that brought together the Soviet Union and the countries of western Asia.

As early as March 16, 1921, Mustafa Kemal concluded a treaty with Soviet Russia, in the preamble of which we read: "The two parties to this treaty hereby affirm that, in their struggle for liberation, the peoples of the east are at one with the working population of Russia fighting for a new social order. They emphatically proclaim the right of the peoples of the east to liberty and independence and a form of government in accordance with their own desires." But Turkey's politics have not been taken in tow by Moscow. After achieving her complete independence, and while fully preserving it, Turkey means to observe neutrality between the Soviet Union and the western Powers. Without damaging her friendship toward the Soviet Union, she also means to keep open all ways leading to the west. It was in this sense that she joined the League of Nations in July 1932.

Influenced by the Soviet Union, a similar community of interests also brought together three states of western Asia — Turkey, Persia and Afghanistan. The first step was taken in the treaty signed in Moscow on March 1, 1921, by Turkey and Afghanistan. Even in this earliest treaty Afghanistan speaks of Turkey as having set an example for the national liberation of the peoples of the east. Since then, the economic and cultural reorganization of Turkey has been recognized as an example to be followed by Persia, Afghanistan and Iraq; and the rulers of these countries, who took the lead of their peoples in their struggle for national independence about the same time as Mustafa Kemal, *i.e.*, Shah Reza Pahlevi, King Amanullah, and King Feisal, have acknowledged the standard set for them by the Ghazi. The new Turkey has thus been able to strengthen in a remarkable way her position towards the north and the east over what it was in the past. With Iraq, too, Turkey's neighbor in the south, friendly and cordial relations have at last been established. Up to 1926 a

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struggle was in process between Turkey, on the one hand, and Great Britain and the Arabian state of Iraq, on the other, for the possession of Mosul. This district, largely inhabited by Kurds, contains rich oil reserves and forms a strategic point of the first order. In 1926 the controversy was determined by arbitration, the Council of the League of Nations deciding in favor of Iraq. Turkey readily gave in. The result was that the satisfactory relations already established with other successor states of the Ottoman Empire were extended also to Iraq. That country (which is conscious today of being the outpost of the Pan-Arabic idea and the guardian of Arabian unity and independence) with Turkey, Persia, and the new Arabia which is still in process of development, will one day form a common front in the Middle East. This does not imply an alliance, but rather the acknowledgment of mutual obligations of friendship based on similar convictions concerning the right of the peoples of the east to independence. Economic coöperation may follow.

After Turkey had been successful in transforming into friendship her traditional enmity toward Russia, her northeastern neighbor, she turned her attention toward removing, under even more difficult circumstances, the tension existing between herself and Greece, her neighbor across the Ægean. For nine centuries Turkey and Greece had fought bitterly for the heritage of Eastern Rome. This old antagonism had been exacerbated and fresh resentment had been awakened by the Greek advance in Anatolia in 1919–22, with the cruelties attending it on both sides, as well as by the widespread misery brought about by the compulsory exchange of populations in 1923. In spite of this, Mustafa Kemal in 1930 succeeded in removing existing differences and in concluding treaties of friendship with Venizelos. The cordial reception of the Greek statesmen at Ankara in the autumn of 1930 marked an outstanding achievement of statesmanship, one which constitutes a real landmark in the history of our times.

The establishment of friendly relations between Turkey and Greece is in a way the consummation of the peaceful European policy which has been Mustafa Kemal's aim during the past ten years. It is true, of course, that since the war Turkey has become primarily an Asiatic power. But she still has not entirely ceased to be European, even though only a small portion of her territory now lies on the European side of the Straits — those Straits which remain of such cardinal importance for the fate of Eastern Eu-

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rope, even though they are at present demilitarized and neutralized. As a European power Turkey has a rôle among the Balkan states. Since the World War, France and Italy have been rivals for ascendancy in the Balkan peninsula; and the tension between certain of the individual states there has if anything become greater than it was at the time of the conclusion of the peace treaties. In view of the antagonistic aims of France and Italy, as well as of the individual Balkan states, Turkey is careful to observe in Europe the same policy of neutrality and friendship with everybody which she practises in Asia. She would have hailed the establishment of a community of interests among the Balkan states like that recognized as existing among those of western Asia, since that would have helped to insure peace and to eliminate the influence and rivalry of the Great Powers. This has proved impossible. For some time Italy has endeavored to create a Bulgarian-Turkish-Greek bloc, aimed against Jugoslavia and thus ultimately against France. Turkey was anxious to come to an understanding with Italy, especially as it had been rumored for some time that Mussolini was bent upon territorial acquisitions in southwestern Anatolia at Turkey's expense. Mustafa Kemal made it plain that he always stood ready to conclude pacts of security with Rome, Athens and Sofia, but with the proviso that Turkey's complete independence was preserved and that she was not involved in the creation of an anti-French bloc.

In Europe as in Asia, in foreign affairs as in her internal political and economic policy, we thus see evidence of Turkey's desire for a complete liquidation of the past. The "Eastern Question," in consequence may be said to have assumed a totally different aspect.

Enough has been said to show that the ten years during which the new Turkey has been in existence under Mustafa Kemals' leadership have been filled with an almost incredible activity in every field. The entire east is in process of transition from one cultural stage to another. It is a process which deeply affects all categories of social and industrial life; it works great changes in human beings and in their habits and ideas. Turkey is in the forefront of the movement. It goes without saying that such periods of transition have their disadvantages and drawbacks. It may well be that the peoples undergoing a transformation like that in process in the east today do not grasp the real nature of western

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humanism or the intellectual foundations of science and scientific investigation; they may merely adopt out of western material life what happens to suit their purposes. But, after all, the mixture of phenomena of decay with those of progress is characteristic of the transitional process. That process is always double-faced. It is not to be arrested by any regret or by romantic longing for the past. Those who live in these times harbor a deep resentment against their own immediate past, when they used to feel despised by Europe, when they were exploited and humbled. They are determined to make a complete break with that shameful epoch and to strike out along new roads. They will take full advantage of the lessons received from Europe; but the knowledge thus gained will be used for their own protection against the European Powers.

Mustafa Kemal is himself a product of this period of transition. In him are embodied, as in all great men of history outside the tragic sphere, both the superior energy and statesmanship of the born leader and those objective forces which are at work in any given period of history, and which mold it quite apart from the influence of personalities. The new Turkey is the work of Mustafa Kemal. But that he was able to achieve it is due entirely to the fact that he knew how to give concrete shape to forces and tendencies which for a quarter of a century had been striving to manifest themselves in the life of the east, and that without pause or hesitation or scruples he pressed them forward to fulfilment.

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A NEW POLISH CORRIDOR

By Clement Vollmer

NAPOLEON'S dream of conquering the world ended on a raft in the middle of the Memel River in 1807, when he and Tsar Alexander I divided the control of the world between themselves and ratified their agreement in the Treaty of Tilsit, chief German city on that river. The same Memel River and the same city of Tilsit are today involved in a proposal which, if it were adopted, would mark another momentous turning point in history, for by it Europe's most dangerous geographical problem, the Polish Corridor, would be removed as the source of bitter controversy and threats of war between Germany and Poland. The plan is for the present Corridor and Danzig to be returned to Germany, and a new corridor to be granted to Poland along the Memel just inside the present easternmost limits of East Prussia.

Anyone who has had the opportunity of personally examining the situation in and around the present Polish Corridor can have no doubt regarding the gravity of the emotional situation which has been created there. The Free State of Danzig, cut off from Germany by the Versailles Treaty, but still strongly conscious of its ninety percent German character, has been the prey of rival propagandas and been in constant uncertainty and distress. Germany's bitterness at what she terms not only the humiliation but also the economic and political absurdity of cutting her territory in two in order to satisfy the desire of another people for direct access to the sea, has grown steadily and has received new strength since Hitler became Chancellor. Some day, the Germans never tire of reiterating, this great wrong must be righted; and many do not hide their belief that war alone will accomplish that end. The feeling in Poland is equally strong. Proud of their amazing achievement of having in five years turned the wretched fishing village of Gdynia into a splendid modern port and city of 50,000 people, and thoroughly convinced of the justice of their historical and racial claims to the territory comprising the Corridor, the Poles state with finality that they are going to retain them.

There can be no general feeling of security in Europe, no thorough-going disarmament, no complete return to stable prosperity, until this tension has been diminished. It would be easy to cite hundreds of paragraphs from the Polish and German press of recent months, particularly since the Nazis assumed power, which betray an uncompromising hatred in both camps incomparably more bitter than that which existed between France and Germany before the World War.

A compromise which would permanently remove this outstandingly likely cause of another European war is contained in the plan to grant Poland a new corridor to the Baltic through German territory, just inside the northern and eastern border of East Prussia, having as its starting-point the Suwalki[1] salient of Poland, which protrudes north-westward from the center of Poland's northern border and forms a wedge between Lithuania and East Prussia.

[1] This salient is over 90 percent Polish, according to statistics and map in Petermann's *Mitteilungen*, January 1919.

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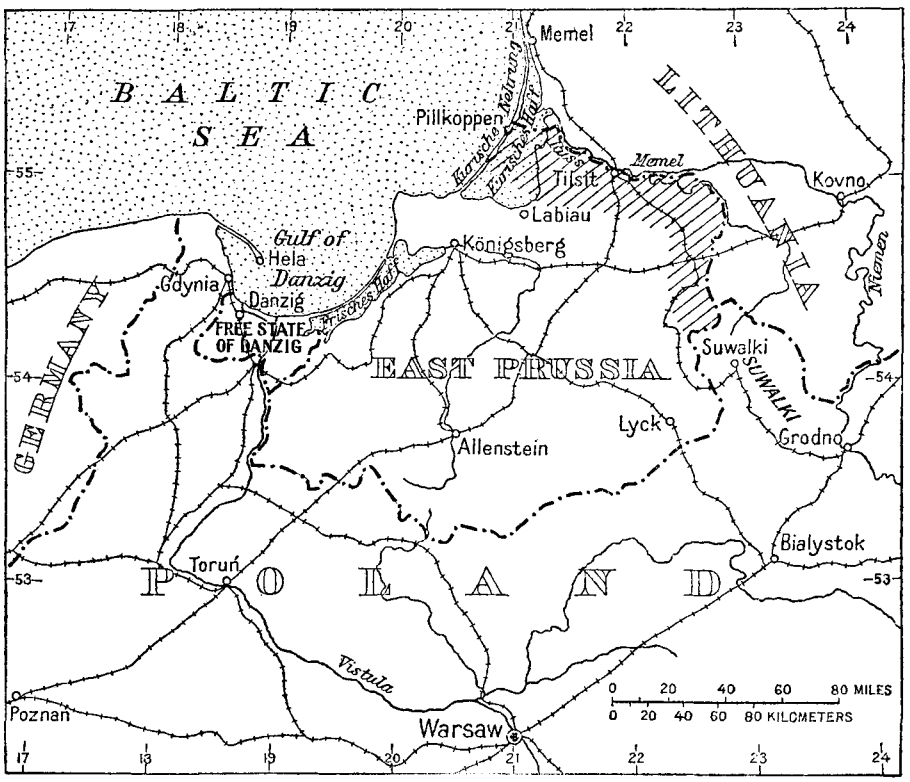
This salient would be extended northward and westward, with an average width of 25 kilometers, inside and directly adjoining the German-Lithuanian border. It would be widened gradually as it approaches the Kurisches Haff until it attains a width of about forty kilometers at a point on the Haff approximately ten kilometers northeast of Labiau. (See shaded area on accompanying map.) Poland would thus have a centrally-located corridor to the sea even more accessible to the greater part of Poland than the present Corridor is. The lower one-third of this strip contains an almost purely German popu-



A NEW CORRIDOR FOR POLAND

The suggested new corridor, lying just west of the Memel River, is shaded on the above map. The present Polish Corridor lies between Germany proper and East Prussia, with Gdynia as its chief port.

lation. The upper two-thirds of the strip contains a considerable number of bilingual German Lithuanians and a few thousand pure-blooded Lithuanians.

The physical problems involved in making this new corridor serve the purposes of the present Corridor would be great, but are not insurmountable. A new port would have to be built on the Kurisches Haff, but the miracle of Gdynia shows what modern engineering science can rapidly accomplish in port construction. To connect Warsaw with this new port would require some new railway construction, but when this had been done the line would be only very

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slightly longer than the present route to Gdynia. The new port would be more easily accessible from every city and village of Poland than Gdynia is; moreover, it would be nearer the small Baltic countries with which Poland is striving to build up political and commercial relations. A channel would have to be dredged across the Kurisches Haff to the Kurische Nehrung, a long thin strip of wandering sand-dunes and pine forest; and a canal two kilometers long would have to be cut across the Nehrung, probably near the town of Pillkoppen. This is the narrowest point on the Nehrung, it is directly opposite the site of the proposed new port, the Haff is deepest here (six to ten meters), and on the Nehrung the canal diggers would encounter no sand-dunes higher than two hundred feet. From the new port to the open Baltic would be a run of several kilometers less than ships now have to travel from Gdynia to reach the open Baltic, beyond and outside the bay formed by the Hela peninsula.[2] It will be objected that the new port will be far from the open sea and that the intervening water is shallow. But Königsberg, largest and most prosperous of northeastern German cities, is almost twice as far from the open Baltic as the new port would be; and the Frisches Haff, the body of water between Königsberg and the exit to the Baltic, is nowhere deeper than five meters.

The racial problem involved is of course a much greater one. The people whom one would thus arbitrarily turn over to Poland, to compensate her for the loss of her present Corridor, are neither Poles nor Slavs of any description. They are mainly Prussian Germans, with a strong admixture of ancient Lithuanian blood flowing in their veins. Only certain small areas are predominantly Lithuanian, both linguistically and ethnologically.[3] At first purely Lithuanian, this section gradually became overwhelmingly German during the nineteenth century. It is no exaggeration, however, to assert that this corner of Germany is just as Lithuanian in general character (notwithstanding statistics which show it to be at least 95 percent German linguistically and at least 70 percent German racially) as the present Corridor is Polish and Cassubian. The author does not mean to assert that such a drastic act as handing it over to the Poles would be justified unless thereby a highly dangerous tension between Germany and Poland could be eliminated and a feeling of stability established as part of the task of restoring peace and prosperity in the world.

Politically, the most important question is: What would Poland say to such a proposal? She owns the present Corridor. She occupies a strong political position by virtue of her alliances. She would naturally have to be consulted first. It is a fair assumption that Poland would strenuously object to any plan which deprived her of a strategic area which she possessed for three centuries, until the expansion of Prussia under Frederick the Great took it from her in 1772. She will point to her great commercial achievement at Gdynia, of which she is justly proud. She will remind the world that the Corridor is overwhelmingly Polish in population, and that it forms her most natural outlet to the sea, both geographically and racially. On the other hand, however, a shrewder and

[2] See map. Note that the Hela peninsula, while protecting Gdynia harbor, also makes a blockade of this port as easy as would be a blockade of the new proposed port. But the new port would be free from attack by sea, whereas Gdynia is exposed to bombardment by naval units.

[3] The most recent linguistic maps and charts on this section are to be found in the excellent work of K. Keller, "Die fremdsprachige Bevölkerung in den Grenzgebieten des deutschen Reiches," Berlin, 1929.

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more far-sighted diplomacy in Poland might realize the tremendous value of a friendly and powerful neighbor to the west to offset the permanent menace from Russia as well as the unquenched anger of Lithuania, which has not really diminished since Poland's rape of Vilna a decade ago. If Poland could be shown that she could secure a new and less costly access to the sea farther east, nearer the border-states of Lithuania, Latvia, Estonia and Finland, while not appreciably farther by sea from Atlantic ports, perhaps she might be induced to part peacefully with the present Corridor if that action really guaranteed future commercial stability and peace. Poland would have to be satisfied on this latter point by Germany's joining the other Powers in absolutely guaranteeing the integrity and permanency of the new corridor. In addition, Germany would have to agree to make financial reparation to Poland for the recent construction in the present Corridor as well as for the expenses of building rail, port and harbor facilities in the new corridor.

In spite of post-war enmity between Lithuanians and Poles, the two peoples have a very old tradition of coöperation. They were loosely joined together as early as 1386, and formed a political unit after 1569, until around 1700 they both were smothered in the maelstrom of Russian conquest under Peter the Great. They might learn through commercial coöperation to become good neighbors once more, and the new corridor might thus accelerate a much-needed adjustment of the unhappy Vilna affair. It is noteworthy that in 1923 the Poles in the Memel territory received special rights from the Lithuanian Government which were not accorded to the Germans living there.[4] This example of a coöperative spirit on the part of Lithuania leads to the hope that friendly relations between the two peoples can be restored.

What, finally, would be Germany's reaction to a plan which would reconnect East Prussia directly with the Fatherland, restore Danzig's overwhelmingly German population to her, and once more place all her inner lines of communication under her own control, but which would involve a new loss of solidly German territory in the extreme northeastern corner of the Reich? Hitler's government, which apparently now has the support of the vast majority of Germany's sixty-five millions, would probably declare that the loss of another square inch of German territory is unthinkable and impossible under any circumstances. Obviously it would require an unusual display of diplomatic skill to convince the German people in their present mood that the Corridor and Danzig can only come back to them in return for adequate compensation to Poland. But the settlement proposed here would actually give Germany more territory than she would lose. Can we not hope that some day public opinion in Germany will realize that every future step in treaty revision must be coupled with compensatory sacrifices? If that day ever comes Germany will welcome some sort of compromise solution as warmly as we may hope that Poland will.

[4] Hofstätter and Peters: "Sachwörterbuch der Deutschkunde," v. 1, p. 490.

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THE SILVER AGREEMENT

THE four-year agreement negotiated at the World Monetary and Economic Conference by the eight nations which are the largest holders or producers of silver is frequently cited as the one real definite achievement of the parley. The inclusion of the silver question in the conference agenda was due largely to American influence, and the designation of Senator Pittman of Nevada, leader of the silver bloc in Congress, as a member of the American delegation was an assurance that this problem would not be ignored. According to newspaper reports, some of the American delegates regard the silver agreement of July 22 as in itself an adequate justification for the holding of the conference.

The agreement, signed by five silver-producing nations — Australia, Canada, Mexico, Peru, and the United States — and by three silver-holding nations — China, India, and Spain — was designed to increase the price of silver by limiting sales of the metal in the world market and by providing for the yearly purchase of stipulated amounts by governments of the silver producing countries. It stipulates that the five silver-producing countries shall purchase or withdraw from the market 35,000,000 ounces of silver annually for four years. Of this amount 24,421,410 ounces has been apportioned to the United States, 7,159,108 ounces to Mexico, 1,671,802 ounces to Canada, 1,095,325 ounces to Peru, and 652,355 ounces to Australia. The United States would thus take 69.78 percent of the total; Mexico, 20.45 percent; Canada, 4.78 percent; Peru, 3.13 percent, and Australia, 1.86 percent.

No official explanation has yet been given concerning the basis of this allotment. Apparently, there was a considerable amount of bartering before the figures were put in their final form. Unofficially, it is reported that American influence was an important factor in bringing the negotiations to a successful conclusion. Probably the American wish "to do something for silver" induced the American representatives to agree that the government of the United States should absorb over two-thirds of the metal to be withdrawn yearly from the market. This allotment was far out of line with American domestic production, which in recent years has amounted to less than one-fourth of the world's output. On the other hand, Mexico, producing over 41 percent of the world output, agreed to absorb only a little more than 20 percent of the annual government purchases. Inasmuch as American capital controls about two-thirds of the total production of silver, it may seem fair that the American Government should agree to absorb about 70 percent of the total purchases. The ownership of mines, however, does not seem to have been the basis of the allotment, since Mexico, controlling through ownership only 1.5 percent of the world output, was allotted over 20 percent of the total purchases, while Canada, which is scheduled to take not quite 5 percent of the total allotment, is known to control considerably more than that proportion of the total production.

The chief beneficiary of the agreement, apparently, will be the British Empire. The two Empire silver-producers, Canada and Australia, have agreed to absorb less than 7 percent of the 35,000,000 ounces, although British capi-

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tal controls nearly 22 percent of the world output. The only apparent concession by any member of the British Empire was the commitment by the government of India not to sell more than 35,000,000 ounces of silver a year during the life of the agreement. During the past six years India has at times been a heavy seller, but in only two years did the sales amount to as much as 35,000,000 ounces. India's agreement, therefore, was a concession only in so far as the government of that country consented not to increase its sales beyond the previous maximum. The Spanish and the Chinese Governments have not been sellers in the past. Thus Spain's agreement to limit sales to 5,000,000 ounces a year and China's agreement not to sell any demonetized silver for four years were concessions in name only. The government of India, meanwhile, retains its right to continue sales to governments desiring to pay their American war debts with silver.

The arrangement thus confers substantial advantages on the British Empire. In the first place, it provides a new market for absorbing annually 35,000,000 ounces of silver. In the second place, it leaves the British Government free to purchase at private sale silver owned by the Indian Government for payment on the American war debt. In making a payment of $10,000,000 on June 15, 1933, Britain purchased 20,000,000 ounces of silver in India at a cost of a little more than $7,000,000. Under the Agricultural Adjustment Act of May 12, 1933, the President was authorized to receive silver in payment of these debts up to $200,000,000 at an arbitrary value of 50 cents an ounce. Consequently, with $7,000,000 worth of silver the British Government obtained a credit of $10,000,000 at the United States Treasury. If it continues payments on the war debt it will still have a source of potential profit in the silver supplies of the Indian Government so long as Congress sees fit to permit this mode of payment.

The time limit for ratification of the agreement is fixed at April 1, 1934. Unanimous ratification, however, is unnecessary; for the agreement stipulates that if any of the silver-producing countries withhold their consent, it still will become effective if those which ratify it make arrangements to buy or withdraw from the market the full allotment of 35,000,000 ounces. For the silver producers this arrangement would be fully as satisfactory as unanimous ratification. If the United States were the only producing country to ratify, and the silver-holding countries also accepted it, the plan would become operative if the United States undertook to purchase the total amount. The present strength of the silver bloc in Congress brings such an arrangement within the realm of possibility.

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SOME RECENT BOOKS ON INTERNATIONAL RELATIONS

By William L. Langer

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General: Political and Legal

THE STATESMAN'S YEAR BOOK. EDITED BY M. EPSTEIN. New York: Macmillan, 1933, 1471 p. $5.00.

The seventieth annual issue of the leading compendium of information about all the countries of the globe.

WORLD PANORAMA, 1918–1933. BY GEORGE SELDES. Boston: Little, Brown, 1933, 392 p. $3.00.

An episodic "Only Yesterday" for the post-war world.

LA DIPLOMACIA, EVOLUCIÓN, PROFESIONALIDAD, REGLAMENTACIÓN. BY DR. PAUL RODRÍGUEZ ARAYA. Rosario: 1932, 178 p.

A well-documented historical and theoretical study of the art of diplomacy, by a distinguished Argentinian diplomat.

THE PROPAGANDA MENACE. BY FREDERICK E. LUMLEY. New York: Century, 1933, 454 p. $4.00.

This story of attempts to influence the public for veiled purposes and interests is enriched with countless concrete instances.

PROBLEMS OF PEACE. SEVENTH SERIES. BY G. P. GOOCH, SIR GEORGE PAISH, WILLIAM RAPPARD and others. New York: Oxford University Press, 1933, 295 p. $2.50.

Lectures delivered at the Geneva Institute of International Relations in August 1932.

LES NATIONS CONTRE LA PAIX. BY JACQUES LAMBERT. Paris: Alcan, 1933, 238 p. Fr. 15.

The author, first occupant of the new Chair of Peace at the University of Lyons, believes that the organization of peace through law is not only possible, but inevitable.

WAR, SADISM, AND PACIFICISM. BY EDWARD GLOVER. London: Allen and Unwin, 1933, 148 p. 3/6.

Three essays by a distinguished scholar.

QUESTIONS D'HISTOIRE DIPLOMATIQUE ET ÉCONOMIQUE CONTEMPORAINES. BY COMTE DE GUICHEN. Paris: Pedone, 1933, 224 p. Fr. 25.

A well-known French historian traces down to the present time the historical problems of Russia, Poland, Austria and other countries.

DISCOURS À LA NATION EUROPÉENNE. BY JULIEN BENDA. Paris: Gallimard, 1933, Fr. 18.

A doctrinaire appeal for the formation of a united Europe. The brilliant author of "La Trahison des Clercs" restates his belief that the fate of Europe depends on whether or not a small group of intellectuals in each country can regain a sense of spiritual values. M. Benda opposes Plato to Hegel, Mediterranean to Nordic thought, and preaches a return to classical clarity and rationality.

THE UNITED STATES OF EUROPE, AND OTHER PAPERS. BY SIR ARTHUR SALTER. Edited by W. Arnold Forster. London: Allen and Unwin, 1933, 303 p. 7/6.

Comments on various international problems by a distinguished economist.

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PANEUROPA MALANDRINA. By Clemente Bonanno. Roma: Nuova Europa, 1933, 231 p. L. 15.

The author foresees the salvation of Europe in an equilibrium of nationalisms.

ABRÜSTUNG UND VÖLKERBUND. By Ernst Kutscher. Göttingen: Vanderhoeck and Ruprecht, 1932, 120 p. M. 4.50.

The author is pessimistic regarding the disarmament problem.

LA PAIX PAR LE DÉSARMEMENT. By J. Monteilhet. Paris: Rivière, 1933, 258 p. Fr. 20.

In advocacy of an international police force.

MARCHANDS DE CANONS. Paris: Mignolet et Storz, 1933, 256 p. Fr. 12.

A description of the struggle among Schneider, Krupp, and Zaharoff to dominate the armaments market.

THE JEWS AND MINORITY RIGHTS (1898–1919). By Oscar I. Janowski. New York: Columbia University Press, 1933, 419 p. $3.75.

This timely study describes the modern struggle between eastern and western Jewry over their relation to the national states in which they lived. It includes the treatment of the Jewish question at the Paris Peace Conference, ending with the establishment of minority rights for Jews in Poland, Rumania, Czechoslovakia, and Austria.

THE STRUCTURE OF PRIVATE INTERNATIONAL ORGANIZATIONS. By Lyman Cromwell White. Philadelphia: Ferguson, 1933, 327 p.

The first systematic survey of the nature and organization of international religious, scientific, military and other bodies.

TREATY-MAKING PROCEDURE. A COMPARATIVE STUDY OF THE METHODS OBTAINING IN DIFFERENT STATES. Compiled by Ralph Arnold. New York: Oxford University Press, 1933, 69 p. $1.50.

This useful little volume, issued under the auspices of the Royal Institute of International Affairs, summarizes both custom and law for forty-seven countries.

THE FUNCTION OF LAW IN THE INTERNATIONAL COMMUNITY. By H. Lauterpacht. New York: Oxford University Press, 1933, 469 p. $7.50.

A profound study of the nature and limitation of law in the international sphere and of the working of international courts.

General: Economic

THE FRAMEWORK OF AN ORDERED SOCIETY. By Sir Arthur Salter. New York: Macmillan, 1933, 60 p. 75 cents.

MODERN MECHANIZATION AND ITS EFFECTS UPON THE STRUCTURE OF SOCIETY. By Sir Arthur Salter. New York: Oxford University Press, 1933, 42 p. 50 cents.

In these two little books a leading British economist prescribes elaborate self-government by industry, with coördination by government, to remedy our economic disorder.

L'ALTERNATIVE: CAPITALISME D'ÉTAT OU SOCIALISME DÉMOCRATIQUE. By Émile Vandervelde. Paris: L'Églantine, 1933, 264 p. Fr. 18.

A veteran Belgian statesman and socialist discusses the evolution from private to state monopoly and the relation of democracy to war.

FROM CHAOS TO CONTROL. By Sir Norman Angell. New York: Century, 1933, 208 p. $2.00.

The Halley Stewart lecturer for 1932–1933 finds the cause of our present plight in the lack of education in economic problems.

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THE INDUSTRIAL DISCIPLINE. By Rexford G. Tugwell. New York: Columbia University Press, 1933, 241 p. $2.50.

The Assistant Secretary of Agriculture proposes an experimental plan to provide economic security.

A VIEW OF EUROPE, 1932. By Paul van Zeeland. Baltimore: Johns Hopkins Press, 1933, 165 p. $1.75.

Reflections of the Director of the National Bank of Belgium on the economic crisis and on economic nationalism.

THE ECONOMIC FOUNDATIONS OF FASCISM. By Paul Einzig. London: Macmillan, 1933, 168 p. 7/6.

A well-written survey by a prolific publicist.

RECOVERY THROUGH REVOLUTION. Edited by Samuel Schmalhausen. New York: Covici-Friede, 1933, 504 p. $3.75.

The general aim of this uneven collection of articles is to give an account of the progress which revolutionary ideas — political, economic and social — have made recently in various countries and under different conditions, and to point out the lessons which that experience holds for the future. The thread supposedly connecting the articles does not seem always to have been made clear to the various authors. The viewpoint of the editor is indicated by the *envoie* on the last page of the book, a quotation from John Strachey: "The capitalist system is dying and cannot be revived."

INTERREGIONAL AND INTERNATIONAL TRADE. By Bertil Ohlin. Cambridge: Harvard University Press, 1933, 634 p. $5.00.

A thorough study of the much-debated question of inter-regional trade.

MODERN INDUSTRIAL ORGANIZATION, AN ECONOMIC INTERPRETATION. By Herbert von Beckerath. New York: McGraw-Hill, 1933, 398 p. $4.00.

The English translation of a significant book by a German economist.

TARIFFS: THE CASE EXAMINED. By Sir William Beveridge and others. New York: Longmans, 1933, 319 p. $2.00.

The revised edition of a work first published in 1931, with a new chapter on "The Balance of Trade" by F. C. Benham.

A SHORT HISTORY OF THE WORLD'S SHIPPING INDUSTRY. By C. Ernest Fayle. London: Allen and Unwin, 1933, 320 p. 12/6.

The last chapters deal with post-war shipping conditions.

WORLD PROSPERITY AS SOUGHT THROUGH THE ECONOMIC WORK OF THE LEAGUE OF NATIONS. By Wallace McClure. New York: Macmillan, 1933, 613 p. $4.00.

The former acting economic adviser of the Department of State has written an excellent account of the manifold economic activities of the League. The most important sections treat, with clarity and a wealth of illustration, the economic provisions of the Covenant, economic jurisprudence, world economic conferences, reconstruction of European finances, and world banking.

THE OPEN DOOR. By Otto Corbach. London: Cape, 1933, 355 p. 12/6.

A plea for the removal of obstacles to migration, translated from the German.

LA QUESTION DES DETTES. By Henri Bérenger. Paris: Hachette, 1933, Fr. 15.

The president of the Commission on Foreign Affairs of the French Senate here publishes his collected articles on the debts question.

DETTES POLITIQUES ET DETTES COMMERCIALES. By Maurice Vion. Paris: Dalloz, 1932, 256 p. Fr. 30.

This jurist rejects the currently employed distinction between commercial and political debts, using many unfamiliar illustrations from post-war finance.

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BRITAIN AND THE WAR DEBTS. By Leonard J. Reid. London: Jenkins, 1933, 108 p. 2/6.

A temperate summary, from the British point of view.

A GOLD TRUCE. By Edgar Milhaud. London: Williams and Norgate, 1933, 153 p. 4/6.

A plan to revive international trade, by the professor of economics at Geneva.

MONETARY POLICY AND THE DEPRESSION. New York: Oxford University Press, 1933, 128 p. $2.75.

A group of leading British economists discuss ways of climbing out of the depression.

GREAT BRITAIN AND THE GOLD STANDARD. By H. F. Fraser. New York: Macmillan, 1933, 218 p. $3.00.

A professor at Swarthmore College criticizes Great Britain's post-war gold policy.

ESSAIS SUR QUELQUES PROBLÈMES ÉCONOMIQUES ET MONÉTAIRES. By Charles Rist. Paris: Sirey, 1933, 501 p. Fr. 70.

Essays by the distinguished French economist.

MONEY, GOLD, SILVER AND PAPER. By Francis W. Hirst. London: Scribner, 1933, 272 p. 7/6.

A concise account. The author favors a metallic basis.

SILVER MARKET DICTIONARY. By Herbert M. Bratter. New York: Commodity Exchange, Inc., 1933, 202 p. $2.50.

This study, prepared by a recognized authority, defines and explains silver terminology in all fields, provides statistical data and encyclopedic information on prices, production, legislation, and foreign trade.

International Relations of the United States

HISTORY OF THE FOREIGN POLICY OF THE UNITED STATES. By Robert Lee Jones. New York: Putnam, 1933, 545 p. $3.50.

A history of the diplomatic policies and relations of the United States since colonial times, with emphasis upon the application of early principles to the modern world.

NEUTRALITÄT UND AMERIKANISCHE WAFFENAUSFUHR. By Alan Nichols. Berlin: Ebering, 1932, 145 p. M. 4.50.

In case of war, the United States should ban all arms export.

THE PHILIPPINE CHARTER OF LIBERTY. By Camilo Osias and Mauro Baradi. Baltimore: French Bray Printing, 1933, 236 p. $2.50.

The evolution of the Philippine Independence Bill, by two proponents.

THE FOREIGN POLICY OF THE UNITED STATES IN RELATION TO SAMOA. By George Herbert Ryden. New Haven: Yale University Press, 1933, 652 p. $5.00.

A detailed study, based partly on diplomatic records, of American relations to Samoa up to the time of the establishment of American sovereignty over the island.

ROOSEVELT ET SON AMÉRIQUE. By Bernard Faÿ. Paris: Plon, 1933, 285 p. Fr. 13.50.

Sharp and witty characterization of the American psychology, especially as revealed in the reactions to Harding, Coolidge, Hoover and Roosevelt, followed by a generally sympathetic account of the present Administration's endeavors to deal with the economic crisis. An amusing, informative volume, from which both Europeans and Americans can learn something.

TWENTY YEARS OF FEDERAL RESERVE POLICY, INCLUDING AN EXTENDED DISCUSSION OF THE MONETARY CRISIS, 1927–1933. By Seymour Edwin Harris. Cambridge: Harvard University Press, 1933, 2 v. $7.50.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This monumental study contains important chapters on international monetary and investment developments.

EUROPE AND THE AMERICAN TARIFF. By O. Fred Boucke. New York: Crowell, 1933, 163 p. $1.50.

A professor at Pennsylvania State College thinks that neither cancellation of the war debts nor a radical reduction of the American tariff would greatly aid Europe to settle its main economic problems. Europe will hold a diminishing place in our foreign trade. America should look to her home markets for greater economic stability.

The World War

DIE INTERNATIONALEN BEZIEHUNGEN IM ZEITALTER DES IMPERIALISMUS. Edited by M. N. Pokrovskii. Series I, Volume 2. Berlin: Hobbing, 1933, 451 p. M. 42.

The new volume of the Russian documents covers the period from March 14, to May 13, 1914. It is published in Russian and in German.

DOCUMENTS DIPLOMATIQUES FRANÇAIS RELATIFS AUX ORIGINES DE LA GUERRE DE 1914. Série III, tôme V. Paris: Costes, 1933, 730 p. Fr. 60.

This volume of the great French series covers the period from December 5, 1912, to March 14, 1913.

BOLGARIA PRED VELIKATA VOYNA. By Al. Girinov. Sofia: Danov, 1932, 315 p. L. 100.

This important work contains documents illustrating Bulgaria's policy before her entrance into the World War.

DAS DEUTSCHE REICH UND DIE VORGESCHICHTE DES WELTKRIEGES. By Hermann Oncken. Leipzig: Barth, 1933, 2 parts, 352 and 353 p. M. 33.

Professor Oncken synthesizes the accumulated materials on the origins of the war, and finds that they support the German thesis of revision.

D'AGADIR À LA GRANDE PÉNITENCE. By Joseph Caillaux. Paris: Flammarion, 1933, 288 p. Fr. 12.

Recollections of a famous non-conformist statesman, expanding and continuing the theme of the author's earlier volume "Agadir."

DER HANDELSKRIEG MIT U-BOOTEN. By A. Spindler. Berlin: Mittler, 1933, 299 p. M. 12.

A companion volume to "Der Krieg zur See, 1914–1918."

FELDHERR UND KRIEGSTECHNIK. By K. Justrow. Oldenburg: Stalling, 1933, 329 p. M. 6.50.

The first systematic treatment of the fundamental points of the Schlieffen plan, which nearly succeeded in 1914.

WAR DIARY. By Lord Riddell. London: Nicholson and Watson, 1933, 399 p. 21/.

As chairman of the Newspaper Proprietors' Association and liaison officer between the British Government and the press, the author was in close touch with the inner ring of ministers. He has something new to say on every phase of the situation, but his treatment of the personal factors gives the book its special interest.

HENRY P. DAVISON. By Thomas W. Lamont. New York: Harper, 1933, 395 p. $3.50.

One of his partners describes the character and services of the member of the Morgan firm most closely concerned with the war-time financing of the Allies in the United States and with the work of the American Red Cross.

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ELECTRONIC REPRODUCTION PROHIBITED

WSPOMNIENIA. WOJNA ŚWIATOWA, 1914–1918. W. ODRDZONEJ POLSCE, 1918–1922. By Z. Jasiński. Warsaw: 1933, 219 p.
Recollections of the war and the early days of the new Polish republic.

GRIECHENLAND UND DIE GROSSEN MÄCHTE, 1913–1923. By E. Schramm von Thadden. Göttingen: Vanderhoeck & Ruprecht, 1933, 136 p. M. 6.
A documented study of the Greek tragedy.

LA COURSE AU DANUBE. By Louis Marcon. Avignon: Aubanel père, 1933, 171 p.
The story of the advance of the Allied armies to the Danube in 1918, by a participant.

AUTUNNO 1918. COME FINÌ LA GUERRA MONDIALE. By Mira Giovanni. Milan: Mondadori, 1933, 503 p. L. 32.
Reconstruction of the events of late 1918, with bibliography.

NELLA TERRA DI ELENO. By N. Meneghetti. Conegliano: Tipografia La Commerciale, 1932, 120 p. L. 5.
Diary and narrative by a participant in events on the Albanian front, 1916–18.

ON SE BAT SOUS L'ÉQUATEUR. By Colonel J. Charbonneau. Paris: Lavauzelle, 1933, 192 p. Fr. 20.
The conquest of the German colonies in Africa.

MA MISSION EN FRANCE. By Count Paul Ignatieff. Paris: Éditions du Masque, 1933, Fr. 7.50.
Memoirs of the chief of the Russian intelligence service in Paris during the war.

BOUDDHA CONTRE L'INTELLIGENCE SERVICE. By Maurice Lapoert. Paris: Revue Française, 1933, Fr. 12.
The life of the notorious Trebitsch Lincoln, successively Anglican pastor, M. P., Rumanian industrialist, adviser to Hitler, British intelligence agent, and Buddhist high priest. *Cum grano.*

EFFECTS OF THE WAR ON ECONOMIC AND SOCIAL LIFE IN FINLAND. By Leo Harmaja. New Haven: Yale University Press, 1933, 122 p. $2.00.
This volume in the Carnegie Endowment series, written by the Director of the Bureau of Social Research and Statistics in Helsingfors, contains especially good chapters on Finnish agriculture, trade, and finance.

LES EFFETS DE LA GUERRE EN BULGARIE. By Georges T. Danaillow. Paris: Presses Universitaires, 1933, 752 p. Fr. 105.
The author is professor at the University of Sofia, a deputy, and a former minister.

SOME MEMORIES OF THE PEACE CONFERENCE. By Colonel R. H. Beadon. London: Williams, 1933, 294 p. 12/6.
Recollections of a British military adviser, containing a valuable chapter in the handling of the Russian question at Versailles and various interesting digressions.

PEACEMAKING, 1919. By Harold Nicolson. London: Constable, 1933, 378 p. 18/.
This is one of the most interesting books of the summer. The first part is a critique of the Paris Peace Conference in the light of experience, with a full and intelligent if frankly subjective appraisal of its misfortunes, mistakes and merits. The lessons of all conferences are stressed as well as the lessons of the Paris Conference, and there are a series of personal characterizations which, when they are not too neat, are delightful. The second part of the book is made up of selections from the diary of the author, one of the British territorial experts at Paris, from the opening of the Conference up to the signature of the treaty with Germany. The book is very well written, as would be expected from the author of "Some People" and "Lord Carnock."

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LES DESSOUS DU TRAITÉ DE VERSAILLES. By Marcel Berger and Paul Allard. Paris: Éditions des Portiques, 1933, 250 p. F. 12.
Said to be based on unpublished documents of the French censorship.

Western Europe

RAYMOND POINCARÉ. By Dr. Georges Samné. Paris: Oeuvres Représentatives, 1933, 400 p. Fr. 30.
Although cast in biographical form, the volume retraces the history of the Third Republic. The introduction is by M. Herriot.

CLEMENCEAU. By Georges Suarez. Paris: Tallandier, 1933, 2 v. Fr. 50.
An interesting work by a man who has played an important if inconspicuous backstage rôle in French politics.

GASTON DOUMERGUE, SA VIE ET SON DESTIN. By Pierre Lafue. Paris: Plon, 1933, 188 p. Fr. 10.
This volume fills a gap.

LA FRANCE DANS LE MONDE. By Edouard Herriot. Paris: Hachette, 1933. Fr. 12.
Five essays, justifying M. Herriot's policy while in office.

NATIONALISMUS UND DEMOKRATIE IM FRANKREICH DER DRITTEN REPUBLIK. By Walter Frank. Hamburg: Hanseatische, 1933, 652 p. M. 12.50.
A penetrating study of French history from 1871 till 1918.

LES IDÉES POLITIQUES DE LA FRANCE. By Albert Thibaudet. Paris: Stock, 1933, Fr. 15.
The author, well-known for his philosophical studies of French policy and politicians, traces the conflict between liberalism and traditionalism in France. An interesting book.

THE SPIRIT OF FRANCE. By Paul Cohen-Portheim. London: Duckworth, 1933, 215 p. 8/6.
An appreciation, in the spirit of Locarno.

THE FRENCH INTERNATIONAL ACCOUNTS, 1880–1913. By Harry Dexter White. Cambridge: Harvard University Press, 1933, 376 p. $4.00.
A fundamental study of the international trade, finance, and foreign investments of France before the war.

FRANKREICHS AUFSTIEG ZUR WELTKAPITALMACHT. By G. Schmölders. Berlin: Junker & Dünnhaupt, 1933, 94 p. M. 3.80.
The diplomacy and strategy of French finance since 1926.

FRANKREICHS RÜSTUNG. By Graf Max Montgelas. Leipzig: Rudolf Hofsterrer, 1932, 63 p. M. 1.50.
A statistical study of French armaments, with a demand for equal rights for Germany, by a well-known German publicist.

LES INSTITUTIONS MILITAIRES DE LA FRANCE (1814–1932). By J. Montheilhet. Paris: Alcan, 1933, Fr. 35.
The author traces the struggle between the idea of the national army and that of the professional army.

UN CRI D'ALARME, POUR L'EMPIRE COLONIAL FRANÇAIS. By Gabriel Hanotaux. Paris: Plon, 1933, Fr. 15.
The well-known French historian rejects the proposal to internationalize the African domain of France.

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LE TRAVAIL OBLIGATOIRE DANS LES COLONIES FRANÇAISES. By René Mercier. Paris: Larose, 1933, 242 p. Fr. 30.
Documented study of types of forced labor in the French colonies.

HISTOIRE DE DEUX PEUPLES CONTINUÉE JUSQU'À HITLER. By Jacques Bainville. Paris: Fayard, 1933, 256 p. Fr. 12.
A nationalist history of Franco-German relations, first issued in 1915, now brought down to date.

DAS STAATSRECHTLICHE SCHICKSAL ELSASS-LOTHRINGENS. By Georg Dossmann. Halle: Buchdrückerei Eduard Klinz, 1932, 72 p.
A German describes France's difficulties with Alsace-Lorraine.

LE RETOUR ÉVENTUEL DE LA SARRE À L'ALLEMAGNE VU PAR LES ALLEMANDS. By H. Chiny. Paris: Domat-Montchrestien, 1933, Fr. 25.
A documented study of the German attitude.

SAARPRESSE IM KAMPF GEGEN FRANKREICHS PROPAGANDA, 1918–1925. By Eugen Wagner. Saarbrücken: Saarbrücker Drückerei, 1933, 144 p. M. 3.30.
A brief study of the ideological struggle for the Saar.

LA SARRE. AU SEUIL DE LA RHÉNANIE. By Loute Sandrü. Paris: Fasquelle, 1933, Fr. 12.
Interesting observations by a recent French traveler.

LA POLITIQUE DE SÉCURITÉ ET D'ARBITRAGE DU GRAND-DUCHÉ DE LUXEMBOURG. Paris: Pedone, 1933, 68 p. Fr. 10.
By a councilor of the Luxemburg government, a delegate to League assemblies.

DE VLAAMSCHE BEWEGUNG VAN 1905 TOT 1930. By Maurits Basse. Ghent: Van Rysselberghe & Rombaut, 1933, 333 p. Fr. B. 24.
A much-needed survey of a difficult question.

THE FALL OF A THRONE. By Alvaro Alcalá-Galiano. London: Butterworth, 1933, 256 p. 10/6.
A monarchist account of the revolution in Spain.

AVANT ET APRÈS LA RÉVOLUTION. By Miguel de Unamuno. Paris: Rieder, 1933, 260 p. Fr. 15.
Reflections of the widely-known philosopher.

L'OEUVRE D'UNE RÉVOLUTION: L'ESPAGNE RÉPUBLICAINE. By Germaine Picard-Moch and Jules Moch. Paris: Rieder, 1933, 416 p. Fr. 15.
Lively and anecdotal.

HISTORIA ECONÓMICA, FINANCIERA Y POLÍTICA DE ESPAÑA EN EL SIGLO XX. By José G. Ceballos Teresi. Madrid: El Financiero, 1932, 455 p. Pes. 20.
Volume VII of this elaborate history of modern Spain covers the years 1929–1930, and contains statistical tables for 1901–1930.

LA POLÍTICA MONETARIA EN ESPAÑA. By Luis Olariaga. Madrid: Ediciones Villarín, 1933, 217 p. Pes. 8.50.
A study of monetary policy.

ESPAÑA Y CATALUÑA. By Juan Ors. Madrid: Ediciones Historia Nueva, 1933, 140 p. Pes. 1.50.
A non-controversial contribution to the Catalan question.

L'ANDORRE S'ÉVEILLE. By Dr. Paul. Paris: Soubiron, 1933, Fr. 6.
A brief, popular account of the recent changes in Andorra.

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IL CONSIGLIO NAZIONALE DELLE CORPORAZIONI. By G. Bottai. Milan: Mondadori, 1932, 427 p. L. 30.

Speeches and articles by Mussolini, Bottai and others, dealing with the development of the corporate state since 1926.

CRONACHE DELLA LIRA IN PACE E IN GUERRA. By Gustavo del Vecchio. Milan: Treves, 1932, 515 p. L. 30.

A collection of articles on monetary problems from 1911 to the present, by a professor at Bologna.

DAS AUSLANDITALIENERTUM SEIT DEM FRIEDENSSCHLUSS UND SEINE KULTURELLE BEDEUTUNG. By R. Pfalz. Münster: Aschendorff, 1933, 43 p. M. 2.25.

An interesting summary of Italian emigration policy.

VITA DI ARNALDO. By Benito Mussolini. Milan: Popolo d'Italia, 1932, 124 p. L. 7.

The Italian dictator has written a life of his younger brother, former editor of the *Popolo d'Italia*. It contains many interesting reminiscences of the earlier years of the Fascist régime.

LA VITA DI GABRIELE D'ANNUNZIO. By M. Giannantoni. Milan: Mondadori, 1933, 614 p. L. 28.

A documented account of the life and political activity of the captor of Fiume.

PER LA DIFESA DI UNA TERRA ITALIANA. By Emilio Colombi. Bellinzona: Salvioni, 1933.

A Fascist demands that a free zone be formed from the Italian cantons of Switzerland.

IRREDENTISMUS IM TESSIN? By Brenna Bertoni. Rorschach: Loeple-Benz, 1933, 61 p. Fr. (Swiss) 3.

Italian ambitions regarding the Italian-speaking cantons of her neighbor.

LES ACCORDS DU LATRAN. By Pierre Dilhac. Paris: Sirey, 1932, 460 p. Fr. 60.

The author, who traces the temporal power since 1850, believes that the independence of the Papacy is at stake.

LA QUESTIONE AUSTRIACA E LA POLITICA ITALIANA. By G. Musacchia. Rome: La Laziale, 1933, 197 p. L. 12.

An Italian discussion of the Austrian question.

KANZLER DOLLFUSS. By Julius Eder. Vienna: Manz, 1933, 27 p. Sch. 1.20.

A laudatory pamphlet by a supporter of the Austrian Chancellor.

REVOLUTION 1918. By H. von Koenigswald. Breslau: Korn, 1933, 228 p. M. 4.50.

An unpolemical attempt to analyze the significance of the 1918 revolution and the failure of Germany to accept democracy.

REGIMENT REICHSTAG: THE FIGHT FOR BERLIN, JANUARY, 1919. By Kurt Lamprecht. London: Constable, 1933, 284 p. 3/6.

Translation of the memoirs of a leader in the struggle against the extreme Socialists in Berlin in January 1919.

DEUTSCHLAND ZWISCHEN WEST UND OST. By Generaloberst Hans von Seeckt. Hamburg: Hanseatische, 1933, 45 p. M. 1.50.

The former Reichswehrminister believes that Germany's foreign policy should be based on coöperation with Russia.

GERMANY UNDER THE PEACE TREATY. By William Harbutt Dawson. London: Allen and Unwin, 1933, 421 p. 10/6.

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A well-known historian describes the drawing of Germany's frontiers and proposes rectification of the Pomeranian and Silesian boundaries.

FÜNFZIG JAHRE DEUTSCHE KOLONIALGESELLSCHAFT, 1882–1932. Berlin: Deutsche Kolonialgesellschaft, 1932, 116 p.

Willibald von Stümer describes the rôle of the Colonial Society until 1919. Erich Düms brings the story down to date.

ZWEI JAHRE AM STEUER DES REICHES: REDEN AUS BRÜNINGS KANZLERZEIT. Cologne: Kölner Görreshaus A. G., 1932, 63 p. M. .35.

Dr. Brüning's speeches from March 1930 to July 1932.

PAUL VON HINDENBURG ALS MENSCH, STAATSMANN, FELDHERR. By Erich Marcks and others. Berlin: Stollberg, 1932, 222 p.

Articles on the President of the Reich.

DIE AUSWÄRTIGE GEWALT UND DER REICHSPRÄSIDENT. By F. Steffen. Berlin: Rothschild, 1933, 114 p. M. 5.

An analysis of the powers of the German President in foreign affairs.

HITLER'S REICH. By Hamilton Fish Armstrong. New York: Macmillan, 1933, 73 p. $1.00.

The editor of Foreign Affairs describes the psychological roots of Germany's revolt against her post-war lot, tells how republican citadels fell before Hitler, and evaluates weaknesses in the new régime. He also reports on Nazi activities in Danzig and Austria, compares Hitlerism and Fascism, and discusses German arms policy.

TŘETÍ ŘÍŠE. By J. L. Fischer. Brno: Sociologická Revue, 1932, 117 p.

A sociological analysis of the Nazi program by a Czechoslovak thinker.

VINGT JOURS CHEZ HITLER. By François Le Grix. Paris: Grasset, 1933.

The editor of the *Revue Hebdomadaire*, who was in Germany early in Hitler's régime, describes what he found there and relates previously unknown episodes of Franco-German negotiations under Brüning.

HITLER E IL FASCISMO. By Franco Ciarlantini. Florence: Bemporad, 1933, 70 p. L. 3.

An Italian view of Hitler.

ES WERDE DEUTSCHLAND. By Friedrich Sieburg. Frankfort: Societäts-Verlag, 1933, 327 p. M. 6.50.

Written before the March revolution, this is an expression of the German reaction against parliaments and parties, and in favor of a stronger embodiment of nationalism. The author has for some time been Paris correspondent of the *Frankfurter Zeitung*. A penetrating work.

DIE REICHSREFORM. By the Bund zur Erneuerung des Reiches. Berlin: Hobbing, 1933, 444 p. M. 10.

This book condemns German federalism and praises the new unitarian organization of the German state, but asserts that in the long run self-government must provide the fullest expression for national forces.

MODERN GERMANY. A STUDY OF CONFLICTING LOYALTIES. By Paul Kosok. Chicago: University of Chicago Press, 1933, 348 p. $3.00.

A contribution to the study of social forces and loyalties in Germany, in the series of "Studies in the Making of Citizens." The volume was written before the Nazis came to power, but it still has its uses in explaining the recent régime.

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REDEN. By Adolf Hitler. Edited by Ernst Boepple. Munich: Boepple, 1933, 127 p. M. 2.35.
Some recent speeches of *der Führer*.

APPELL AN DAS DEUTSCHE GEWISSEN. REDEN ZUR NATIONALEN REVOLUTION. By Franz von Papen. Oldenburg: Stalling, 1933, 104 p. M. 1.50.
Speeches of the Vice-Chancellor between February 21 and March 17, 1933.

HITLER. By E. Lengyel. London: Routledge, 1933, 241 p. 3/6.
A new edition of a hard-hitting book, with three new chapters to bring it up to date.

REICHSKANZLER ADOLF HITLER. By J. von Leers. Leipzig: Kittler, 1933, 128 p. M. 2.
An authorized biography, written in the vein to be expected in such a work.

GÖRING, WAS FÄLLT IHNEN EIN? By R. Sommerfeldt. Berlin: Mittler, 1932, 60 p. M. 1.
A biographical sketch of one of Hitler's associates, now Premier of Prussia.

ALFRED ROSENBERG. DER MANN UND SEIN WERK. By F. Th. Hart. Munich: Lehmann, 1933, 96 p. M. 2.40.
A review of Herr Rosenberg's life and activity, followed by a selection of statements by this Nazi specialist on foreign policy.

JOSEPH GOEBBELS. By Wilfrid Bade. Lübeck: Coleman, 1933, 78 p. M. 1.50.
A sketch of the Nazi propagandist-in-chief.

SWASTIKA, THE NAZI TERROR. By James Waterman Wise. New York: Smith and Haas, 1933, 128 p. $1.00.
An account of the attacks on Jews in Germany.

THE GERMAN JEW; HIS SHARE IN MODERN CULTURE. By Abraham Myerson and Isaac Goldberg. New York: Knopf, 1933, 182 p. $1.25.
A brief summary of the contributions of German Jews to culture.

THE JEWS IN NAZI GERMANY: THE FACTUAL RECORD OF THEIR PERSECUTION BY THE NATIONAL SOCIALISTS. New York: American Jewish Committee, 1933, 106 p.
An effective handbook, published in New York by the American Jewish Committee, giving valuable statistical information regarding the activities and position of the Jews in pre-Nazi Germany and providing precise information regarding the treatment of them by the present régime.

DIE GREUELPROPAGANDA IST EINE LÜGENPROPAGANDA, SAGEN DIE DEUTSCHEN JUDEN SELBST. Berlin: Trachtenberg, 1933, 142 p. M. 2.50.
Designed to counteract reports of Nazi atrocities, in three languages.

VORLÄUFER DES NATIONALSOZIALISMUS. By A. Ciller. Vienna: Ertl, 1932, 160 p. M. 2.40.
The development of the Nazi movement in Austria and Bohemia.

DER KAMPF UM DIE SUDETENDEUTSCHE AUTONOMIE. By Hans Krebs. Aussig: N. S. P.-Verlag, 1933, 144 p. Kč. 10.
The struggle of the Germans in former Bohemia for autonomy.

NIEMCY WSPÓLCZESNE WOBEC ZAGADNIEŃ NARODOWOŚCIOWYCH. By Tadeusz Katelbach. Warsaw: Instytut Badań Spraw Narodowościowych, 1932, 402 p.
A handbook on the German minorities policy, from the Polish viewpoint.

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DER DEUTSCH-DÄNISCHE GRENZRAUM. By W. Tietgens. Apenrade: Nordschleswigsche Zeitung, 1932, 63 p.

A geographical and political study of the North Schleswig boundary, containing eight maps illustrating the relation between soil, population and political boundaries.

DÄNISCHE WIRTSCHAFTSGESCHICHTE. Edited by Axel Nielsen. Jena: Fischer, 1933, 600 p. M. 28.

A book which fills a gap.

DENMARK'S RIGHT TO GREENLAND. By Knud Berlin. London: Oxford University Press, 1933, 185 p. 3/6.

The English translation of a book already mentioned in this bibliography.

Eastern Europe

ORIGINES ET HISTOIRE DE LA LETTONIE. By Henri de Chambon. Paris: Éditions du Mercure Universel, 1933, 226 p. Fr. 20.

The director of the *Revue Parlementaire* has written a useful book on one of the less well-known Baltic states.

DER KAMPF UM DIE OSTSEE VON DEN ÄLTESTEN ZEITEN BIS ZUR GEGENWART. By Wacław Sobieski. Leipzig: Markert und Petters, 1933, 268 p. M. 8.

A review of the Corridor question through history, from the Polish point of view.

POLAND. By Roman Dyboski. London: Benn, 1933, 448 p. 21/.

This work by a well-known Polish historian contains interesting and not uncritical chapters on post-war Poland.

HISTOIRE DE RUSSIE. TOME III: RÉFORMES, RÉACTIONS, RÉVOLUTIONS (1855–1932). By P. Miliukov, Ch. Seignobos, L. Eisenmann. Paris: Leroux, 1933, 587 p. Fr. 80.

The final volume of a massive history of Russia.

DE PIERRE LE GRAND À LENINE. By Marc Slonim. Paris: Nouvelle Revue Française, 1933, Fr. 18.

A talented Russian journalist's interesting analysis of the ideas underlying the development of socialism in Russia during more than a century. Beginning with the early military conspiracies after Peter the Great, M. Slonim outlines very fully the intellectual socialism of the first half of the 19th century and the practices and theory of nihilism and terrorism in the latter half, leading to the revolutionary outbreak of 1905. His pictures of the individual leaders are vivid. From 1905 on the story is adequate but less complete and interesting.

TOWARDS THE SEIZURE OF POWER: THE BOLSHEVIKS IN THE RUSSIAN REVOLUTION. By N. Lenin. New York: International Publishers, 1933, 654 p. 2 v., $3.50 each (Pop. Ed. $2.50 each).

Translations of Lenin's collected works for a crucial period.

MEMORIES OF LENIN. By N. K. Krupskaya. New York: International Publishers, 1933, V. 2, 252 p. $1.50.

This volume by Lenin's widow covers the period from 1907 to 1917.

THE WHITE ARMIES OF RUSSIA. By George Stewart. New York: Macmillan, 1933, 482 p. $4.00.

This book meets the definite lack of any comprehensive account of the different fronts on which the White armies fought the Bolsheviks. It purposely omits all account of what was going on beyond the White front. The narrative is swift, and in parts confused.

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Despite a personal sympathy for the subjects of his story, the author makes plain their lack of a clear program and the absence even of real hope among the leaders.

GENERAL BRUNO JALANDERS MINNEN. KAUKASISKA ÅR OCH POLITISKA KRISTIDER. By A. Ackté-Jalander. Helsingfors: 1932, 209 p.
A Finnish general tells his experiences in southern Russia after the Revolution.

RUSKO A ČESKOSLOVENSKÉ LEGIE V LETECH 1914-1918. By Jar. Papousek. Prague: Slovanky Ustav, 1932, 60 p. Kč. 10.
A documented account of the Legion in Russia to 1918.

M. R. ŠTEFÁNIK. By General M. Janin. Prague: Orbis, 1932, Kč. 24.
The French representative in Siberia, on the leader of the Czech Legion.

PROBLEMY PLANIROVANIYA V S. S. S. R. By S. G. Strumilin. Leningrad: Izd. Akademii Nauk S. S. S. R., 1932, 546 p.
A capital work for the study of planning in Russia.

A PHYSICIAN'S TOUR IN SOVIET RUSSIA. By Sir James Purves-Stewart. New York: Stokes, 1933, 175 p. $1.00.
This London physician was particularly impressed by the public health service during a trip which he made to Russia in 1932.

STALIN. By Stephen Graham. New York: Peter Smith, 1933, 148 p. $2.00.
By the author of "Ivan the Terrible."

YOUTH IN SOVIET RUSSIA. By Klaus Mehnert. London: Allen and Unwin, 1933, 270 p. 7/6.
The mentality of the younger generation, discussed by a young German who has lived recently in Russia.

RED VIRTUE. By Ella Winter. New York: Harcourt, 1933, 332 p. $3.00.
A documented account of new attitudes toward property, class, marriage, etc.

L'EXPÉRIENCE ROUGE. By Yvon Delbos. Paris: Au Sans Pareil, 1933, 256 p. Fr. 12.
Considered opinion by an ex-Minister.

THE GREAT OFFENSIVE. By Maurice Hindus. London: Gollancz, 1933, 286 p. 5/.
Russia at the beginning of the second Five-Year Plan, by a sympathetic and well-informed visitor.

LE PARADIS INFERNAL. By Victor Boret. Paris: Quillet, 1933, 410 p. Fr. 15.
By a French Senator, ex-Minister of Agriculture and economist, who has recently visited Russia. Preface by Edouard Herriot.

WGŁĄB Z. S. S. R. By Aleksander Janta-Połczyński. Warsaw: Rój, 1933, 253 p.
A Polish view of the Soviet Union.

LENINISM. By Joseph Stalin. New York: International Publishers, 1933, V. 2, 468 p. $2.50.
The second volume of speeches and articles by the Soviet leader dealing with international policies as well as collectivization and other internal questions.

THE MOSCOW TRIAL OF WRECKERS (Official verbatim report). New York: Amkniga, 1933, 3 v. $2.75.
A translation of the testimony at the recent trial of British and Russian engineers.

LE GOUVERNEMENT DE MOSCOU ET LES RÉPUBLIQUES SOVIÉTIQUES. By Louis de Quirielle. Paris: Sirey, 1932, 187 p.

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An interesting study of the federal system of Russia. The author denies the character of states to the federal republics.

NATIONALISM IN THE SOVIET UNION. By Hans Kohn. London: Routledge, 1933, 176 p. 7/6.

The translation of a book, already described in these columns, by a leading authority on nationalist movements in the east.

KRATKII OCHERK ISTORII NARODOV S. S. S. R. By N. N. Vanag. Pt. I. Moscow: 1932, 414 p.

History of the peoples of Soviet Russia, from the Communist viewpoint.

MY AMERICAN LECTURES. By N. Iorga. Collected by N. L. Forter, with a foreword by Professor John L. Gerig. Bucharest: State Publishing House, 1932, 192 p.

Lectures by the Rumanian historian and politician on Rumania, Bolshevik Russia, and French influence in Rumania.

LES MINORITÉS NATIONALES ETHNIQUES ET RELIGIEUSES EN BULGARIE. By André Girard. Paris: Giard, 1933, 203 p. Fr. 30.

The author praises Bulgarian tolerance toward minorities.

BIBLIOGRAPHIE BALKANIQUE, 1931–1932. Edited by Léon Savadjian. Paris: Revue des Balkans, 1933, Fr. 75.

A useful bibliography of books and articles on Balkan topics published in various languages during the years 1931–32, with a special section listing books on Balkan subjects published in the United States since the war.

VZNIK HRANIĆ SLOVENSKA. By Fedor Houdek. Bratislava: Prúdov, 1932, 412 p. Kč. 52.

A detailed account of the separation of the Slovaks from Hungary in 1918, together with the author's personal recollections of the struggle at the Paris Conference over the Slovak-Hungarian boundary.

ÉDOUARD BENEŠ, OU LA RENAISSANCE D'UN PEUPLE. By Fritz Weil. Paris: Éditions du Cavalier, 1933, Fr. 15.

A study of Beneš's career, and of the events of 1918–19.

LA PETITE ENTENTE. By Fl. Codresco. Paris: Bossuet, 1933, 670 p. Fr. 60.

A detailed study.

UNION DOUANIÈRE BALKANIQUE. By Evang. An Averoff. Paris: Sirey, 1933, 277 p. Fr. 35.

A serious study of this complicated problem.

LA YOUGOSLAVIE EN PERIL? By Ernest Pezet and H. Simondet. Paris: Bloud et Gay, 1933, 288 p. Fr. 18.

An account of internal dissension and of foreign dangers.

LA CONSTITUTION DE 1931 DU ROYAUME DE YOUGOSLAVIE. By D. Loutzitch. Paris: Bossuet, 1933, 300 p. Fr. 40.

An analysis of the new Jugoslav constitution, with its text.

ANNUAIRE DE L'ASSOCIATION YOUGOSLAVE DE DROIT INTERNATIONAL. Belgrad-Paris: Les éditions internationales, 1932, 445 p.

This volume contains articles on European federation, the Balkan conference of 1930, minorities, migrations, and other topics.

The British Commonwealth of Nations

ENGLAND: VERFALL ODER AUFSTIEG? By Adolf Halfeld. Jena: Diederich, 1933, 232 p. M. 3.80.

By a German admirer of English institutions and culture.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE ROMANCE OF THE BANK OF ENGLAND. By Kate Rosenberg and R. Thurston Hopkins. London: Butterworth, 1933, 288 p. 15/.
With a foreword by Viscount Snowden.

THE OLD LADY UNVEILED. By J. R. Jarvie. London: Wishart, 1933, 144 p. 3/6.
An attack on the Bank of England and its present Governor.

FREDERICK EDWIN, EARL OF BIRKENHEAD. THE FIRST PHASE. By the Earl of Birkenhead. London: Butterworth, 1933, 319 p. 21/.
A brilliantly written account, till July 1914, of the career of the late F. E. Smith.

JIX, VISCOUNT BRENTFORD. By H. A. Taylor. London: Paul, 1933, 302 p. 21/.
An uncritical biography of the hero of the General Strike and Arcos Raid.

MR. BALDWIN: A STUDY IN POST-WAR CONSERVATISM. By John Green. London: Low, 1933, 283 p. 10/6.
The author is critical of the Conservative leader.

ESSAYS IN BIOGRAPHY. By John Maynard Keynes. New York: Harcourt, 1933, 318 p. $2.50.
Contains new sketches of Lloyd George and of Bonar Law.

THE LIFE STORY OF EAMON DE VALERA. By Seán O'Faoláin. London: Talbot, 1933, 110 p. 2/.
An enthusiastic account.

INTERNATIONAL STUDIES IN GREAT BRITAIN. By S. H. Bailey. New York: Oxford University Press, 1933, 124 p. $1.75.
A useful survey, with chapters on the study of international relations in higher education, adult education, schools and normal schools.

CAMBRIDGE HISTORY OF THE BRITISH EMPIRE. V. 7, Parts I and II, AUSTRALIA, NEW ZEALAND. Edited by J. H. Rose, A. P. Newton, E. A. Benians. New York: Macmillan, 1933, 759 and 309 p. $7.00 and $3.50.
These authoritative volumes contain well-documented chapters on Australia and New Zealand during and since the war.

CEYLON UNDER BRITISH RULE, 1795–1932. By Lenox A. Mills. New York: Oxford University Press, 1933, 311 p. $4.25.
The last chapter is devoted to the history of Ceylon since 1889.

SPEECHES AND ADDRESSES. By Sayaji Rao III, Maharaja Goekwar of Baroda. New York: Oxford University Press, 1933, 294 p. $3.75.
Speeches on Indian questions by a far-sighted native prince.

RENASCENT INDIA: FROM RAM MOHAN ROY TO MOHANDAS GANDHI. By H. C. E. Zacharias. New York: Dutton, 1933, 304 p. $3.25.
India for the past hundred years, by a sympathizer with India.

INDIAN INDUSTRY AND ITS PROBLEMS. By H. R. Soni. London: Longmans, 1933, 439 p. 21/.
A detached account of the fundamental problems, such as village industry and industrialization.

The Near East

THE CAPITULATORY RÉGIME OF TURKEY. ITS HISTORY, ORIGIN AND NATURE. By Nasim Sousa. Baltimore: Johns Hopkins Press, 1933, 378 p. $3.50.
The first general treatment of the subject in English. It has a separate section on the relation of the United States to the question, and useful appendices.

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A MODERN PILGRIMAGE. By Mary Berenson. New York: Appleton, 1933, 367 p. $3.00.
A traveler comments on social conditions today in Syria and Palestine.

THE EMPTY QUARTER. By H. St. J. B. Philby. London: Constable, 1933, 457 p. 21/.
Explorations of the Great Southern Desert of Arabia, with comment on the political position of the Arab tribes.

LE PÈLERINAGE DE LA MECQUE. By Dr. Duguet. Paris: Rieder, 1932, 337 p.
A study of the economic and political importance of the Holy Cities of Islam.

L'INSTITUTION DU MONOPOLE DE COMMERCE EXTÉRIEUR EN PERSE. By Ali Amini. Paris: Rousseau, 1932, 194 p. Fr. 25.
A rambling history of foreign trade policy from earliest times. The account of the law of February 25, 1931, is interesting.

PERSIYA POD VLASTIYU POSLEDNIKH KADZHAROV. By G. Shitov. Leningrad: Akademiya Nauk S.S.S.R., 1933, 229 p. R. 6.
A Soviet study of Persia under the last dynasty.

Africa

THE AFRICAN LABORER. By G. St. J. Browne. London: Oxford University Press, 1933, 290 p. 17/6.
A comprehensive study of the labor problem in Africa as a whole.

A CENTURY OF EMANCIPATION. By John H. Harris. London: Dent, 1933, 287 p. 5/.
The anti-slavery struggle up to date.

PROBLEMI COLONIALI. By Guido Corni. Milan: Popolo d'Italia, 1933, L. 15.
A series of articles by an experienced Italian administrator.

CHE COSA È L'AFRICA. LE COLONIE ITALIANE. By P. D'Agostino Orsini di Camerota. Rome: Cremonese, 1933, 306 p. L. 25.
The second volume of a descriptive series.

LA PAIX AU MAROC. By Sabin Mony. Paris: Tallandier, 1933, Fr. 20.
The pacification of Morocco from 1908 to 1933.

L'ÉCONOMIE MAROCAINE. By René Hofherr. Paris: Sirey, 1932, 340 p.
By the director of the judicial centre of the Institute for Higher Moroccan Studies. He complains of the rigidity of the Algeciras treaty in the development of Morocco.

The Far East

THE RUSSO-JAPANESE TREATIES OF 1907–1916 CONCERNING MANCHURIA AND MONGOLIA. By Ernest Batson Price. Baltimore: Johns Hopkins Press, 1933, 176 p. $1.75.
A careful review of the Russo-Japanese entente regarding Manchuria in the pre-war and war years, presenting for the first time the French originals of the treaties.

FOREIGN INVESTMENTS IN CHINA. By Charles Frederick Remer. New York: Macmillan, 1933, 729 p. $5.00.
An invaluable contribution to the study of the capital investments of the individual countries in China, by a professor of economics at the University of Michigan.

ONE YEAR OF THE JAPAN-CHINA UNDECLARED WAR. By Edward Bing-Shuey Lee. Shanghai: 1933, 587 p.
The Chinese side of the question, presented with much documentary evidence.

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CHINE ET JAPON. By Pierre Lyautey. Paris: Plon, 1933, 316 p. Fr. 12.
The nephew of Marshal Lyautey reports his recent observations of the Far Eastern dispute. He has much to say of the attitude of the United States towards the question.

BEHIND THE FAR EASTERN CONFLICT. By Joseph Barnes and Frederick V. Field. New York: Institute of Pacific Relations, 1933, 47 p. 25 cents.
A well-documented sequel to the "Conflict in the Far East, 1931–1932."

SUN YAT-SEN, HIS POLITICAL AND SOCIAL IDEALS. Compiled by Leonard Shihlien Hsu. Los Angeles: University of Southern California Press, 1933, 505 p. $3.00.
This useful book contains the "Autobiography," "The Three Principles of the People," and other important writings of the Chinese nationalist leader.

JAPAN — WHITHER? By James A. B. Scherer. Tokyo: Hokuseido Press, 1933, 145 p. 3/.
The author advocates Japanese friendship with China and the United States, in preparation for meeting an alleged Russian menace.

JAPAN TIMES YEAR BOOK, 1933. London: Probsthain, 1933, 662 p. 24/.
A standard work.

PEAKS AND PLAINS OF CENTRAL ASIA. By Colonel R. C. F. Schomberg. London: Hopkinson, 1933, 288 p. 15/.
The author, who has spent five years in Chinese Turkestan, believes that irrigation will solve the problems of that province.

LES POSSESSIONS FRANÇAISES DU PACIFIQUE. Paris: Larose, 1933, 148 p. Fr. 15.
A volume on New Caledonia, New Hebrides and French possessions in Oceania.

THE MIANGAS ARBITRATION. By Willem Johan Bernard Versfelt. Utrecht: Kemink en Zoon, 1933, 156 p. Fl. 3.50.
The history of the dispute between the United States and the Netherlands over the Island of Miangas (Palmas), with a full and careful account of the arbitration which in 1925 awarded it to the Netherlands.

Latin America

LE CONFLIT ENTRE LA COLOMBIE ET LE PÉROU DEVANT LE DROIT INTERNATIONAL. By J. M. Yepes. Paris: Jouve, 1933, 112 p.
A scientific study, in support of Colombia's claim in Leticia.

LA BOLIVIE NOUVELLE, SES PROBLÈMES FINANCIERS. By André Labrouquère. Paris: Domat-Montchestien, 1933, Fr. 20.
The author was financial adviser to Bolivia.

IMPRESSIONS OF SOUTH AMERICA. By André Siegfried. New York: Harcourt, 1933, 199 p. $2.00.
The charming and perceptive French publicist has touched South America lightly.

EIGHT REPUBLICS IN SEARCH OF A FUTURE. By Rosita Forbes. London: Cassell, 1933, 352 p. 8/6.
With a preface by Viscount D'Abernon.

AMÉRICA REVOLUCIONARIA. By Samuel Guy Inman. Madrid: Morata, 1933, 340 p. Pes. 7.50.
A survey of social and economic changes on the American continent, written in Spanish by an American publicist who recently lectured throughout Latin America.

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PUBLIC DOCUMENTS OFFICIALLY PRINTED

Documents may be procured from the following: *United States:* Gov't Printing Office, Superintendent of Documents, Washington, D. C. *Great Britain:* British Library of Information, 270 Madison Ave., New York. *France:* Gerda M. Anderson, 12 Ave. Ernest Reyer, Paris XIV^e^. *League of Nations, Int. Labour Office, Perm. Court of Int. Justice* and *Int. Institute of Agriculture:* World Peace Foundation, 40 Mt. Vernon St., Boston. Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted. Since 1928 a list of Government documents has been printed in the *Monthly List of Books Catalogued in the Library of the League of Nations.*

AGRICULTURE

INSTITUT Agraire International. Annuaire Statistique de l'Agriculture Mondiale. Sous la rédaction de M. I. Spéctator. I. Europe. Moscou, 1932. 567 p. 25½ cm. (In Russian and French.)

ARMAMENT CONFERENCE

Effectives

CONFERENCE for the Reduction and Limitation of Armaments. Report of the Special Committee on Effectives to the General Commission. Geneva, 1933. 17 p. 33 cm. (League of Nations, Conf. D. 162. 1933. IX. 8.)

NATIONAL DEFENSE EXPENDITURE

CONFERENCE for the Reduction and Limitation of Armaments. National Defence Expenditure Commission. Report of the Technical Committee. Volume I. Geneva, 1933. 271 p. 33 cm. (League of Nations, Conf. D. 158. 1933. IX. 3. Vol. I.) $2.50.

——— Volume II. Summary of the Information supplied to the Technical Committee on the Subject of the Defence Expenditure of the Several States. Recapitulatory Tables of the Model Statement. Table for Conversion of Currencies. Geneva, 1933. 166 p. 33 cm. (League of Nations, Conf. D. 158. 1933. IX. 3. Vol. II.) $1.50.

——— National Defence Expenditure Commission. Addendum to the Report of the Technical Committee, Volume II. Summary of the Information supplied to the Technical Committee on the Subject of the National Defence Expenditure of the Union of Soviet Socialist Republics. Geneva, 1933. 10 p. 33 cm. (League of Nations, Conf. D. 158. 1933. IX. 3. Vol. II. Addendum.)

Conference for the Reduction and Limitation of Armaments. National Defence Expenditure Commission. Report of the National Defence Expenditure Commission to the General Commission. Geneva, 1933. 6 p. 33 cm. (League of Nations, Conf. D. 161. 1933. IX. 9.)

Manufacture and Trade

Conference for the Reduction and Limitation of Armaments. Analogies between the Problem of the Traffic in Narcotic Drugs and that of the Trade in and Manufacture of Arms. Geneva, 1933. 10 p. 33 cm. (League of Nations, Conf. D. 159. 1933. IX. 4.)

——— Committee for the Regulation of the Trade in and the Private and State Manufacture of Arms and Implements of War. Progress Report to the General Commission. Rapporteur: M. T. Komarnicki (Poland). Geneva, 1933. 78 p. 33 cm. (League of Nations, Conf. D. 160. 1933. IX. 7.)

STATISTICAL Year-Book of the Trade in Arms and Ammunition. Geneva, 1933. 396 p. 33 cm. (League of Nations, C. 92. M. 35. 1933. IX. 6.)

Statistics

ARMAMENTS Year-Book. General and Statistical Information. Ninth Year, 1933. Geneva, 1933. 1048 p. 24 cm. (League of Nations, C. 110. M. 42. 1933. IX. 5.)

This edition contains information on 64 countries, including Afghanistan and Saudi Arabia for the first time.

BALANCE OF PAYMENTS

THE BALANCE of International Payments of the United States in 1932 (including summary tables, 1919–32). By Amos E. Taylor, Assistant Chief Finance and Investment Division, with a Foreword by Daniel C. Roper, Secretary of Commerce. Washington, 1933. 82 p. 23¼ cm. (Trade Information Bulletin No. 814.) 10 cents.

BANK LAWS, CENTRAL

ECONOMIC Intelligence Service. Monetary and Central Bank Laws. Edited by Paul Singer. Geneva, 1932. (Nos. 1–30.) $10.00.

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Printed proofs of Laws of Albania, Austria, Belgium, Provisions relating to the Bank for International Settlements, Bulgaria, Czechoslovakia, Free City of Danzig, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Irish Free State, Italy, Latvia, Lithuania, Luxemburg, Netherlands, Norway, Poland, Rumania, Saar Territory, conventions between Denmark, Norway and Sweden, Sweden, Switzerland, Union of Socialist Soviet Republics, Vatican State.

BANK for International Settlements. Third Annual Report April 1, 1932–March 31, 1933. Basle, 1933. 44 p. annexes. 30 cm.

CHINESE COURTS

EXCHANGE of Notes between the Governments of the United Kingdom, Brazil, France, Netherlands, Norway and the United States and the Chinese Government renewing the Agreement and Exchange of Notes of February 17, 1930, relating to the Chinese Courts in the International Settlement at Shanghai (with declaration), Nanking, February 8 to 12, 1933. London, 1933. 6 p. 24½ cm. (Treaty Series No. 20 (1933) Cmd. 4348.) 1d.

COMMERCIAL TREATIES

CONVENTION between the Government of the United Kingdom and the Government of the Argentine Republic relating to Trade and Commerce with Protocol, London, May 1, 1933. London, 1933. 15 p. 24½ cm. (Argentina No. 1 (1933) Cmd. 4310.) 3d.

AGREEMENT between the Government of the United Kingdom and the Government of Denmark relating to Trade and Commerce, London, April 24, 1933. London, 1933. 29 p. 24½ cm. (Denmark No. 2 (1933) Cmd. 4298.) 6d.

EXCHANGE of Notes between His Majesty's Government in the United Kingdom and the Government of the German Reich regarding Commercial Relations, London, April 13, 1933. London, 1933. 6 p. 24½ cm. (Germany No. 1 (1933) Cmd. 4297.) 1d.

EXCHANGES of Notes between His Majesty's Government in the United Kingdom and the Government of the German Reich regarding Commercial Relations, London, April 13/May 3, 1933. London, 1933. 9 p. 24½ cm. (Treaty Series No. 15 (1933) Cmd. 4319.) 2d.

AGREEMENT between the Government of the United Kingdom and the Government of Iceland relating to Trade and Commerce (with Protocol) London, May 19, 1933. London, 1933. 11 p. 24½ cm. (Treaty Series No. 16 (1933) Cmd. 4331.) 2d.

AGREEMENT between the Government of the United Kingdom and the Norwegian Government relating to Trade and Commerce with Protocol and Exchange of Notes, London, May 15, 1933. London, 1933. 35 p. 24½ cm. (Norway No. 1 (1933) Cmd. 4323.) 6d.

AGREEMENT between the Government of the United Kingdom and the Government of Sweden relating to Trade and Commerce with Protocol and Exchanges of Notes, London, May 15, 1933. London, 1933. 41 p. 24½ cm. (Sweden No. 1 (1933) Cmd. 4324.) 9d.

TRADE Agreement between Canada and the United Kingdom. Signed at Ottawa, August 20, 1932. Ottawa, J. O. Patenaude, 1933. 24 p. 25 cm. (Dominion of Canada, Treaty Series, 1932, No. 1.) 25 cents.

Legal Proceedings

CONVENTION between His Majesty, in respect of the United Kingdom, and His Majesty the King of Denmark and Iceland regarding Legal Proceedings in Civil and Commercial Matters, London, November 29, 1932. London, 1933. 17 p. 24½ cm. (Treaty Series No. 18 (1933) Cmd. 4334.) 3d.

CONVENTION between His Majesty in Respect of the United Kingdom and the President of the Turkish Republic regarding Legal Proceedings in Civil and Commercial Matters, Angora, November 28, 1931. London, 1933. 19 p. 24½ cm. (Treaty Series No. 14 (1933) Cmd. 4318.) 4d.

COURT OF INTERNATIONAL JUSTICE, PERMANENT

INTERPRETATION of the Convention of 1919 Concerning Employment of Women during the Night. Permanent Court of International Justice. XXVIth Session. Advisory Opinion of November 15, 1932. Leyden, 1933. 287 double p. 24½ cm. (Series C, No. 60.) $5.35.

CASE Concerning the Administration of the Prince von Pless (Interim Measures of Protection). Permanent Court of International Justice. XXVIIIth Session. Order of May 11, 1933. Leyden, 1933. Double p. 150–155. 24 cm. (Series A./B., Fascicule No. 54.) 20 cents.

LEGAL Status of the South-Eastern Territory of Greenland. Permanent Court of International Justice. XXVIIIth Session. Order of May 11, 1933. Leyden, 1933. Double p. 156–160. 24 cm. (Series A./B., Fascicule No. 55.) 20 cents.

APPEALS from Certain Judgments of the Hungaro-Czechoslovak Mixed Arbitral Tribunal. Permanent Court of International Justice. XXVIIIth Session. Order of May 12, 1933. Leyden, 1933. Double p. 161–165. 24 cm. (Series A./B., Fascicule No. 56.) 20 cents.

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DELIMITATION of the Territorial Waters between the Island of CASTELLORIZO and the Coasts of Anatolia (case eventually withdrawn). Permanent Court of International Justice. XXVIth Session. Order of January 26, 1933. Leyden, 1933. 39 p. 24 cm. (Series C, No. 61.) $1.50.

CRIMINAL LAW

Gradual Unification of Criminal Law and Co-operation of States in the Prevention and Suppression of Crime. Geneva, 1933. 11 p. 33 cm. (League of Nations, A. 7. 1933. V. 3.)

EMPLOYMENT

EMPLOYMENT Exchanges. An International Study of Placing Activities. Geneva, 1933. 207 p. 24½ cm. (International Labour Office, Studies and Reports, Series C, No. 18.)

HOURS of Work and Unemployment. Report to the Preparatory Conference, January 1933. Geneva, 1933. 198 p. 24 cm. (International Labour Office.)

——— Supplement to the Report to the Preparatory Conference, January 1933. Geneva, 1933. 47 p. 24 cm. (International Labour Office.)

HOURS of Work and Unemployment. Report of the Preparatory Conference (10–25 January 1933). Geneva, 1933. 31 p. 24 cm. (International Labour Office.)

REDUCTION of Hours of Work. Report of the Tripartite Preparatory Conference. Fifth Item on the Agenda. Geneva, 1933. 212 p. 24 cm. (International Labour Conference, Seventeenth Session, Geneva, 1933, Report V.)

FOUR-POWER PACT

PACTE d'entente et de collaboration. Paris, Imprimerie nationale, 1933.

DESPATCH to His Majesty's Ambassador at Rome in regard to the Agreement of Understanding and Co-operation between France, Germany, Italy, and the United Kingdom, London, June 7, 1933. London, 1933. 10 p. 24½ cm. (Miscellaneous No. 3 (1933). Cmd. 4342.) 2d.

LABOR PROBLEMS

THE I. L. O. YEAR-BOOK 1932. Third year of Issue. Geneva, 1933. 459 p. charts. 24 cm. (International Labour Office.) $3.00, paper.

INTERNATIONAL Labour Conference. Seventeenth Session. Geneva, 1933. Report of the Director. Geneva, 1933. 75 p. 24½ cm.

COMPULSORY Pension Insurance. Comparative Analysis of National Laws, and Statistics. Geneva, 1933. 782 p. 24 cm. (International Labour Office, Studies and Reports Series M. No. 10.) $4.00.

CONCILIATION and Arbitration in Industrial Disputes. Geneva, 1933. 696 p. 24 cm. (International Labour Office, Studies and Reports, Series A, No. 34) $4.00.

A CONTRIBUTION to the Study of International Comparisons of Costs of Living. An Enquiry into the Cost of Living of Certain Groups of Workers in Detroit (U. S. A.) and Fourteen European Towns. Geneva, 1932. 246 p. 24 cm. (International Labour Office, Studies and Reports, Series N, No. 17 (Second Revised Edition).) $2.00.

SAFETY in the Manufacture and Use of Celluloid. Geneva, 1933. 159 p. 24 cm. (International Labour Office, Studies and Reports, Series F, Second Section, No. 6.) $1.00.

LEAGUE OF NATIONS

AGENDA of the Fourteenth Ordinary Session of the Assembly, which will open at Geneva on Monday, September 4th [i.e. 25th], 1933, at 10.30 a.m. Geneva, 1933. 4 p. 33 cm. (League of Nations, A. 2. 1933. G. Q. 1.)

The opening of the Assembly was put forward after this document was published.

REPORT on the Work of the League since the Thirteenth Session of the Assembly. Geneva, 1933. 122 p. 33 cm. (League of Nations, A. 6. 1933. G. Q. 2.)

RULES OF PROCEDURE of the Council. Adopted by the Council on May 26, 1933. Geneva, 1933. 6 double p. 20 cm. (League of Nations, C. 393. M. 200. 1933. V. 4.)

SECRETARIAT and Special Organisations. International Labour Organisation. Permanent Court of International Justice. Audited ACCOUNTS for the Fourteenth Financial Period (1932) and Reports thereon by M. A. Ceresa, Auditor. Geneva, 1933. 126 p. 33 cm. (League of Nations, A. 3. 1933. X. 1.)

LIBERIA

COMMITTEE of the Council Appointed to Examine the Problem Raised by the Liberian Government's Request for Assistance. Report of the Committee to the Council. Adopted on June 27th, 1923. Geneva, 1933. 15 p. 33 cm. (League of Nations, C. 421. M. 214. 1933. VII. 5.)

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MONETARY AND ECONOMIC CONFERENCE

JOURNAL of the Monetary and Economic Conference. London, 1933. 34 cm. (No. 1–, Saturday, June 10, 1933.)

During the Conference a daily journal, giving a complete account of the meetings, is published. Pending the final records, this is the most authoritative account of the proceedings available. The price of the subscription is $2.00 for thirty numbers.

LEAGUE of Nations. Monetary and Economic Conference. OFFICIAL GUIDE. London, 1933. 22 double p. 21½ cm. (League of Nations, 1933. II. Spec. 2.)

The MONETARY AND ECONOMIC CONFERENCE (London, 1933). An Account of the Preparatory Work for the Conference and an Outline of the Previous Activities of the Economic and Financial Organisation of the League of Nations. Geneva, 1933. 94 p. 23 cm. (League of Nations, Information Section.) 25 cents.

MONETARY and Economic Conference. International Questions Relating to PUBLIC WORKS. Report submitted to the Monetary and Economic Conference by the League of Nations Committee of Enquiry on Questions relating to Public Works and National Technical Equipment of the Organisation for Communications and Transit. Geneva, 1933. 8 p. 33 cm. (League of Nations, C. 377. M. 186. 1933. VIII/II. Spec. 3.)

REVIEW of World Trade 1932. Geneva, 1933. 64 p. 27 cm. (League of Nations, 1933. II. A. 10.)

STATISTICAL Year-Book of the League of Nations 1932/33. Geneva, 1933. 292 p. 25 cm. (League of Nations, 1933. II. A. 7.)

STATEMENT by the Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) at the Monetary and Economic Conference on June 14, 1933. London, 1933. 11 p. 24½ cm. (Cmd. 4357.) 2d.

OPIUM

Traffic in Opium and Other Dangerous Drugs for the Year Ended December 31, 1931. Report by the Government of the United States of America. Washington, 1932. 94 p. 23¼ cm.

Traffic in Opium and Other Dangerous Drugs with Respect to the Philippine Islands for the Years Ended December 31, 1930 and 1931. Reports by the Government of the United States of America. Washington, 1933. 14 p. 23¼ cm. 5 cents.

RENUNCIATION OF WAR

Treaty for the Renunciation of War. Text of the Treaty, Notes Exchanged, Instruments of Ratification and of Adherence and Other Papers. Washington, 1933. 315 p. 23 cm. (Publication of the Department of State, No. 468.) 20 cents.

SINO-JAPANESE DISPUTE

RECORDS of the Special Session of the Assembly convened in virtue of Article 15 of the Covenant at the Request of the Chinese Government. Volume IV. Geneva, 1933. 105 p. 33 cm. (League of Nations, *Official Journal*, Special Supplement No. 112.)

MANCHOUKUO

MANCHOUKUO and the League of Nations. Hsinking, Manchuria, The Department of Foreign Affairs, 1933. 36 p. 25½ cm. (Publications of the Department of Foreign Affairs, Manchoukuo Government, Series No. 4.)

INFORMATION BULLETIN Nos. 1–50, September 19, 1932, to April 15, 1933. Hsinking, 1933. 115 p. 25½ cm. (Publications of the Department of Foreign Affairs, Manchoukuo Government.)

I, Statements, Communications, Interviews; II, Laws and Regulations; III, Principal Events and General Conditions; IV, Construction Programs; V, Miscellaneous.

WAR DEBTS

Papers relating to the Payment due from His Majesty's Government in the United Kingdom to the United States Government on June 15, 1933, in respect of the British War Debt. London, 1933. 6 p. 24½ cm. (United States No. 1 (1933) Cmd. 4353.) 1d.

WORLD WAR

PAPERS Relating to the Foreign Relations of the United States. 1918. Supplement 1, The World War (in two Volumes). Washington, 1933. 2 vols. lxxxviii, lxxvi, 1835 p. 23½ cm. (Publications of the Department of State, Nos. 465, 466.) $1.50 each (cloth).

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